


Huntingdonshire DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT

For the year ended 31 March 2014

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Explanatory Foreword

By the Head of Resources

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2013/14 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2014.

The purpose of this foreword is to provide a guide to the most significant matters reported in the Council's accounts and is in three sections.

- Commentary and review of 2013/14.
- The Financial Statements
- Technical information

Commentary and review of 2013/14

Review of the Year

2013/14 has been another challenging year for the Council as a result of reductions in grant funding that the Government has made to Local Authorities due to the national and international economic situation.

The Council set a net budget for the year of £22.764m (2012/13; £21.722m), a net increase of £1.042m (4.80%). After allowing for the following un-ringfenced government grant:

- revenue support grant of £6.019m (2012/13; £0.180m),
- contributions from NDR of £4.004m (2012/13; £9.108m),
- New Homes Bonus £2.906m (2012/13; £1.913m),
- a Collection Fund surplus of £76,000 (2012/13; £63,000)

and the use of revenue reserves of £2.253m (2012/13; £2.547m), this left the Council to raise £7.506m (2012/13; £7.727m) from Council Tax. This equated to a Council Tax of £133.18 (2012/13; £128.51) for a Band D equivalent property – an increase of 3.63%.

The Council's success in supporting the development of new homes across the District has meant the Council has been able to benefit from increased New Homes Bonus.

The following paragraphs outline how the Council has performed during 2013/14:

Theme: Strong local economy

<u>Alconbury Enterprise Zone</u>

Alconbury Weald Enterprise Campus is one of the most significant economic developments in the East Midlands. To date in excess of £11m has been invested on site in delivery of early infrastructure including a new heavy commercial vehicles access, internal road restructuring and main entrance refurbishment. A new Incubator building for start-up and small businesses has been built and is close to full occupancy. Huntingdonshire Regional College has established a Skills and Training Centre on site.

Inward investment interest is strong and feasibility is currently underway on 1.3m sq. ft. of commercial space. A £5.0m capital grant to fast forward the phase one commercial development was agreed by the Department for Communities and Local Government (DCLG), (in principle subject to State Aid compliance procedures) on March 31st 2014.

However, despite strong interest in the Enterprise Zone, it is taking longer than anticipated to convert the interest into investment. There is a reluctance to be the first major new build investor because of 'pioneer fear'. Hence the application and approval in principle for the grant for demolition and remediation works to sustain the impetus and create credibility in the short-medium term development of the site.

Business Improvement District
The Business Improvement District (BID) for Huntingdon Town Centre continues to deliver economic development objectives for the town against the business plan with very limited resource by the Council. The BID is funded through a £0.180m levy of business rate payers which the Council is required by statute to collect on behalf of the BID.

Theme: Enable sustainable growth

Affordable Housing
Delivery of new affordable housing remains a priority for the Council and in 2013/14, 41 new affordable homes were completed by housing association partners in the district. As a result of partnership work across housing, health and social care partners, a successful bid was made by a housing association partner, Luminus, for funding to redevelop an outdated sheltered housing scheme with a modern fit for purpose extra care scheme. This project will provide extra care housing for frail older people and will help to meet the needs of the district's ageing population. Work will commence in 2014 and has benefitted from a grant of £2.3m from the Homes and Communities Agency, which will be paid direct to Luminus, Registered Social Landlord (RSL).

Letting of Council Buildings
Over the year the Council has continued to maximise the utilisation of its office buildings; two notable lettings are shown below:

- Following the initial letting of office space to the NHS in 2012 within Pathfinder House, the success of that arrangement saw NHS management seeking additional floor space in 2013 for their expanded needs. Following the relocation of certain Council staff, the Council were able to accommodate this request which has seen the floor space let to them increase. At this point this is a commitment to April 2015 with the likelihood that this will continue after this date. This has generated additional annual income of £63,000.

- An opportunity presented itself to provide a Cambridgeshire County Council sponsored project, Smart Travel, which involves a private sector company with vacant office space at Eastfield House. This is generating in excess of £4,500 additional income per annum and the current arrangement is expected to continue until the end of 2014.

Theme: Improve the quality of life in Huntingdonshire

Active Lifestyles
During the year over 5,000 individuals aged between 1 and 90 years took part in physical activities delivered by the Council's Sport and Active Lifestyles Team (SALT). These individuals recorded over 37,500 attendances. At the same time the team reduced staff expenditure by 17.5% and increased income by 3.5%. Further, SALT was awarded a grant of £145,000 over 3 years to continue the teams work from November 2013. This means that SALT can continue to deliver a range of events including village sport festivals, community disability schemes and adult sports taster courses.

However, an element of funding that enables SALT to provide services comes via the recently established NHS Commissioning Board. These funds are ringfenced to support ongoing projects and initiatives and only until the end of 2014/15, there is no guarantee that this funding will be available in the future.

Council Tax Support/Reforms
The government's Council Tax reforms were implemented at the start of 2013/14 to mitigate the impact of the loss of funding for Council Tax Support (which replaced Council Tax Benefit). The reforms were successfully implemented without collection rates being impacted.

Tenancy Fraud
The Council led on a County wide shared service to detect tenancy fraud, with the intention of returning properties to the housing stock so they can be allocated to those who need them.

Risk Based Verification
Risk based verification was introduced in Housing Benefits which has reduced administration and saved one FTE post.

Charging for Second Green Bins
The decision to introduce charging for the second green bin was implemented in a very short time frame, and many customers were unhappy with the charge. More bins were returned than had been estimated, which resulted in less income than had been predicted. There was a significant impact on the Call Centre due to the influx of complaints.

One Leisure
Over 1.8 million public visits (excluding schools) were recorded at the leisure centres during the year, an increase of over 8% over the previous year. Further, the final phase of the £4m extension/refurbishment at One Leisure St Ives was completed in May 2013. The project took over 14 months to complete and is the single most significant investment in leisure facilities by the Council. This was followed by a further two months of pool improvements at the same centre.

However, the One Leisure St Ives project took longer than expected to complete and the resultant loss of two months' income has contributed to the lower than expected financial performance during the year.

Theme: Working with our communities.

Grants to Voluntary Organisations
During the year, the Council supported 24 local voluntary and charitable organisations at a cost of £0.294m; this facilitated the provision of services to some of the most vulnerable residents in area. The Councils funding enabled the organisations to acquire an additional £0.193m to support their services and activities from other sources.

One Leisure
Improvements to the web site, mobile bookings (introduction of a new app), call centre, and kiosks have contributed to improved customer experience and ease of access to information and facilities.

Other Areas of Council Activity

Alternative Service Delivery: Facing the Future
Following the appointment of Jo Lancaster, to the new Managing Director role, in July 2013, the "Facing the Future" service review programme was introduced. Over the late Autumn period, all senior managers presented to one of the three Overview and Scrutiny Panels a business review report. The reports included a summary of the business objectives and statutory framework for each service but also highlighted options for alternative service delivery, categorised against some key transformation themes that ranged from "additional income" and "demand management" through to "whole or partial outsourcing". As part of this process, the Council was able to remove £0.378m from the 2014/15 base budget, rising to

£0.512m in 2016/17. The "Facing the Future" programme is ongoing and further significant savings are expected over the medium term that, by way of example, will result from innovative working with Strategic Partners and agile organisational management.

Non-Domestic Rating Appeals
As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. This has introduced considerable volatility into the NDR management process and the risk transfer is considerable. Initial indications were that appeals outstanding in January 2014 were £0.760m; but at the year end, following a more detailed review and analysis process, the forecast outcome of appeals outstanding was estimated to cost £5.135m; of which £2.054m has to be met by the Council, and £3.081m by other Collection Fund participants. As time progresses, internal review, analysis and assessment processes will improve our ability to estimate more accurately this figure each year.

Information Technology
The Council's Information Management Division (IMD) has been carrying out the following initiatives to ensure information technology is utilised in the most effective way possible:

- Working with other partners to:
  - Provide business analysis and project management expertise to Cambridge City Council and systems support (GIS/UNIFORM) to Northamptonshire County Council – generating a total income in excess of £30,000. This provided excellent value support to the recipient authority and helped to maintain a critical mass of expertise within IMD whilst generating a useful income stream.
  - Analysed and documented the decision making process flows necessary to apply the Community Infrastructure Levy (CIL). These CIL "maps" are marketed to Local Authorities and other interested parties, throughout the country via the Planning Officer Society Enterprises. Total income from sales was £10,000 in the year.
  - Progressed outsourcing of ICT services to Local Government Shared Services (LGSS) for a period of months before this was abandoned in favour of a new strategic partnership with South Cambridgeshire District Council.

- Direct provision:
  - By switching away from providing IT equipment to Members IMD avoided the Council spending £42,000 in replacement laptops/PCs and associated software. There is an expectation that significant annual savings of in excess of £10,000 will be made in reduced paper usage due to the promotion of tablet-based access to agendas and associated papers.
  - The project to virtualise the majority of our physical servers was completed. This provides greater resilience, by introducing the ability to re-create servers at an alternative location in a very timely fashion.
  - Corporate Business Continuity plan was re-developed and praised by Corporate Governance Panel.
  - A new Customer Relationship Management (CRM) system was implemented delivering savings of £70,000 pa and significant improvements in front/back office processes (e.g. elimination of double keying). Unfortunately, under performance by the supplier has meant a considerable delay in delivering all the functionality.
  - All Local Authorities are required to achieve Public Services Network (PSN) Code of Connection (CoCo) compliance. This was achieved albeit at considerable expense in terms of officer time and additional cost due to changes to the infrastructure. This was a common experience throughout the whole of the public sector.
  - The project to deliver a new desktop concluded that desktop virtualisation would have been too expensive and risky for the Council to progress so a more

traditional PC replacement route was taken. Nevertheless, this phase of the project was executed in a very efficient manner and many of the benefits of a virtualised desktop have been achieved at between £50k-100k less than the original virtualised solution.

- Access to information:
  - The HDC web site was assessed as being in the top third of the best District Council Websites in the annual SOCITM report. A solid result in a time of reducing budgets and high demand for services.
  - The Local Land and Property Gazetteer (LLPG) has maintained its Gold standard and, additionally, was judged the Best LLPG in the East of England Region.
  - A new web site was delivered for One Leisure and IMD contributed business analysis and project board support to help One Leisure achieve £250k savings through a management re-structure.

- System efficiency:
  - Project Management of the online benefits application (Eforms) project which has led to the saving of 2 posts in Customer Services.

Revenue Spending and Sources of Income

The table below mirrors the format required in the formal statement of accounts and shows the total impact on reserves as a result of the Council's activities in 2013/14. It shows an increase of £3.669m to reserves compared to a budgeted reduction of £2.253m.

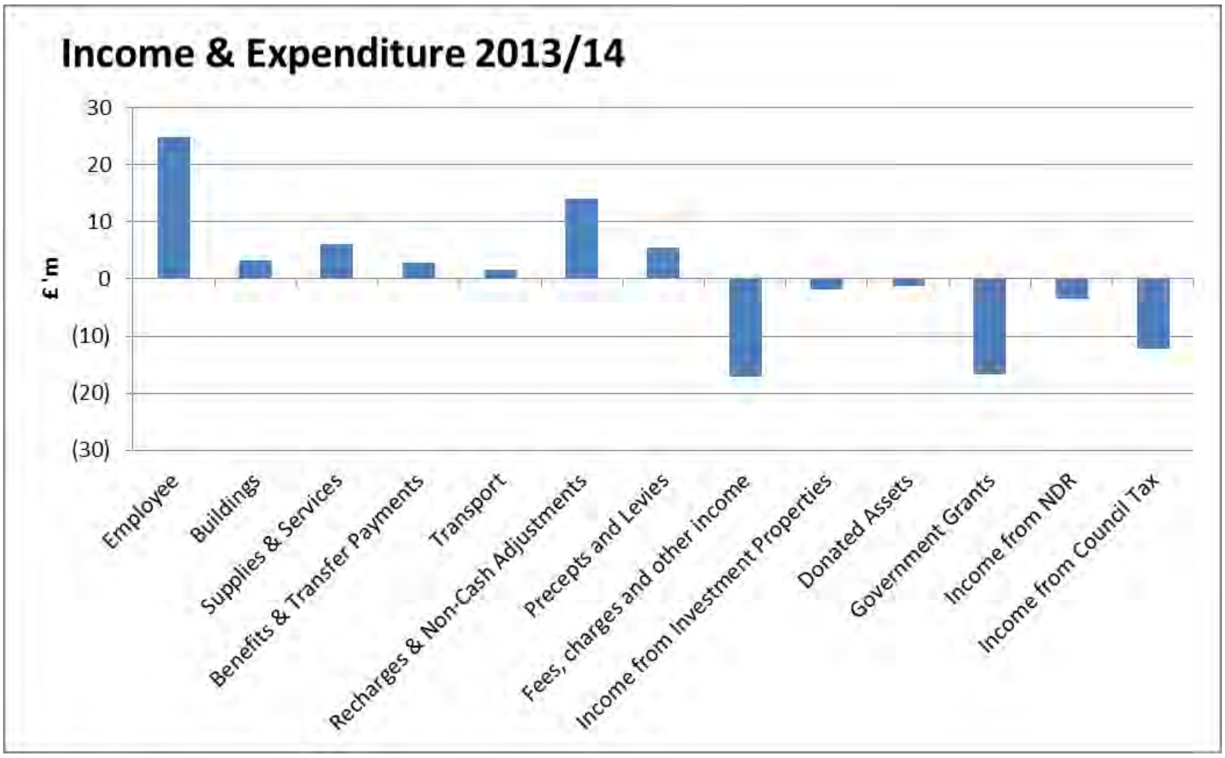
Changes to the Non Domestic Rate funding arrangements increase reserves by £2.768m, the remaining increase, resulting from expenditure savings or additional income generated throughout the year, has enabled the Council to:

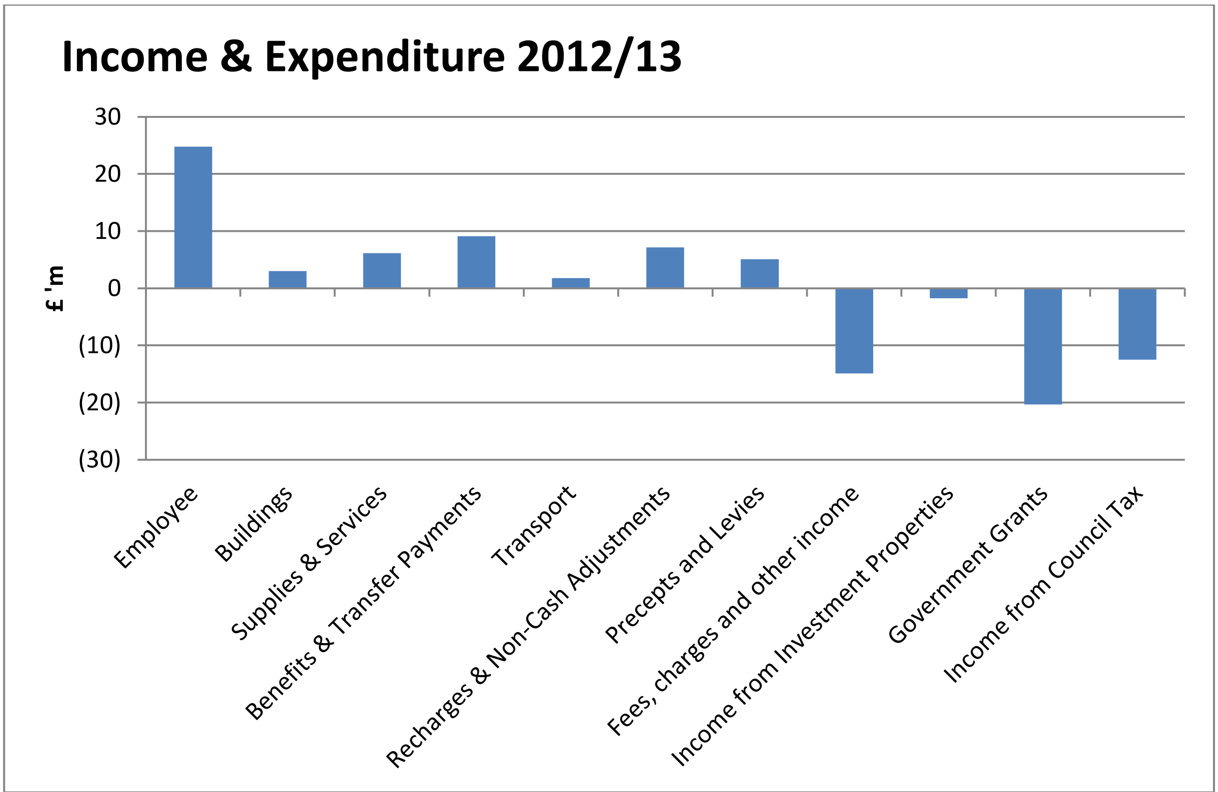
- Create a Capital Investment reserve that will allow revenue generating capital projects to be funded, £2.009m has been allocated to this earmarked reserve.
- Increase the Special Reserve by £1.241m so that any expenditure incurred during the Council's service transformation programme can be met.

As a result of the redevelopment of the centre of Huntingdon the council has received two pieces of land, which have been valued at £1.160m. These have been accounted for as donated assets, and are shown in the funding section of the following statement.

A breakdown of all the changes to earmarked reserves during 2013/14 is shown at the foot of the table below:

2012/13 Outturn £000		Budget £000	2013/14 Outturn £000	Variation £000
90,230	Gross Expenditure	81,544	95,805	14,261
(4,925)	Statutory Adjustments	(5,539)	(9,033)	(3,494)
85,305		76,005	86,772	10,767
	Income and Other Items			
(15,644)	Fees & Charges	(14,528)	(16,212)	(1,684)
(47,608)	Government Grants (including reimbursement of housing benefits)	(36,617)	(42,401)	(5,784)
(445)	Investment Income	(445)	(242)	203
26	Trading undertakings (surplus)/deficit	(1,651)	(2,740)	(1,089)
(63,671)		(53,241)	(61,595)	(8,354)
21,634	**Net expenditure**	**22,764**	**25,177**	**2,413**
	Funding			
(7,727)	Council Tax	(7,506)	(7,506)	0
(11,483)	Revenue support grant, business rates and other special grants	(8,925)	(9,662)	(737)
0	Non-Domestic Rates	(4,004)	(3,442)	562
(97)	Collection fund (surplus)/deficit	(76)	(85)	(9)
0	Capital Grants	0	(1,419)	(1,419)
0	Donated Assets	0	(1,160)	(1,160)
(19,307)		**(20,511)**	**(23,274)**	**(2,763)**
2,327	**Deficit met from reserves**	**2,253**	**1,903**	**(350)**
	Application of General Fund Reserve			
709	Applied to meet the costs of Council services		(3,669)	
	Earmarked Reserves			
237	- Contribution to delayed Projects Reserve		0	
	- Contribution to capital Investments Reserve		2,009	
1,000	- Contribution to Special Reserve		1,241	
0	- Contribution to Collection Fund Reserve		2,768	
0	- Increase / (Decrease) in Capital Grants Reserve		477	
124	- (Decrease) / Increase in S106 Reserve		22	
210	- (Increase) / Decrease in other earmarked reserves		(945)	
47	Transfer to unusable reserves		0	
2,327	**Total**		**1,903**	


Income & Expenditure 2013/14
£ 'm
30
20
10
0
(10)
(20)
(30)
Employee
Buildings
Supplies & Services
Benefits & Transfer Payments
Transport
Recharges & Non-Cash Adjustments
Precepts and Levies
Fees, charges and other income
Income from Investment Properties
Donated Assets
Government Grants
Income from NDR
Income from Council Tax


Income & Expenditure 2012/13
£ 'm
30
20
10
0
(10)
(20)
(30)
Employee
Buildings
Supplies & Services
Benefits & Transfer Payments
Transport
Recharges & Non-Cash Adjustments
Precepts and Levies
Fees, charges and other income
Income from Investment Properties
Government Grants
Income from Council Tax

Reserves

The table below shows the results of the movements in reserves to show how these have affected the actual sums held at the 31 March 2014.

The size of the contribution to the Special Reserve was approved by Cabinet on the basis that the remaining funds in the General Fund would be similar to the £10.398m forecast when the MTP was approved in February 2014.

Revenue Usable Reserves 2013/14	B/f	Contributions		C/f
		To	From	
	£000	£000	£000	£000
General Fund	**10,587**	**0**	**(1,903)**	**8,684**
Earmarked				
Capital Investment	0	2,009	0	2,009
Delayed Projects	986	0	(741)	245
Special Reserve	1,260	1,241	(1)	2,500
S.106	2,863	257	(235)	2,885
Other	1,695	3,159	(275)	4,579
	6,804	**6,666**	**(1,252)**	**12,218**
Total Usable Reserves	**17,391**	**6,666**	**(3,155)**	**20,902**

Capital Spending

The original net capital budget was £8.863m. In addition to this schemes were slipped from 2012/13 totalling £1.097m, and this along with other adjustments made in the 2013/14 budget of £1.940m, resulted in an updated budget for the year of £11.900m. However a combination of factors during the year has resulted in only £10.117m being spent, £8.542m on assets and £1.575m on loans to local organisations.

Several large schemes were substantially completed in the year. These included Huntingdon Western Relief Road, the Huntingdon Multi-Storey Car Park and the One Leisure St Ives redevelopment. A scheme to make improvements to St Neots Railway Station also commenced, which is largely being funded by grants from Cambridgeshire County Council.

The capital programme also includes significant rolling programmes to provide disabled facilities grants and housing improvement grants to householders and also for replacing and renewing IT and business systems to ensure they are up-to-date and fit for purpose.

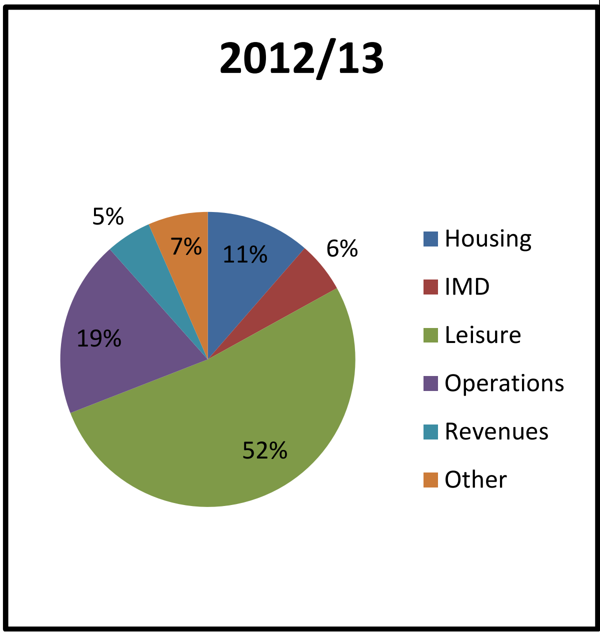
In addition to expenditure on assets, two loans to local organisations were advanced to support improvements to their facilities. A loan for £1.500m to Huntingdonshire Regional College and a loan to Huntingdon Gym Club for £0.075m.

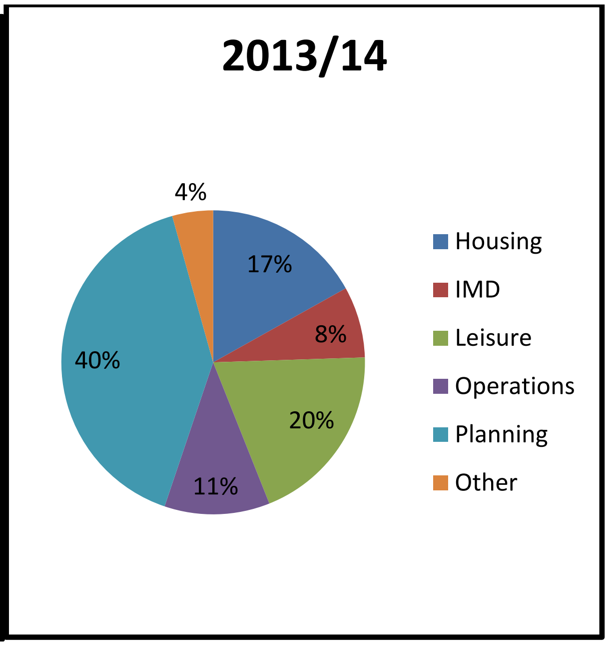
Sales of assets in the year were limited, with the claw back of former local authority housing sale receipts providing the majority of receipts in the year. The receipts from these sales have been used to finance the capital programme, reducing the need to borrow.

2012/13 £m	Capital Spending	2013/14 £m
0.0	Environmental Projects	0.3
1.4	Housing Grants	2.0
1.1	Vehicle Replacement Programme	0.7
0.7	Information & Communication Technology	0.7
0.3	St Neots Railway Station Improvements	3.2
0.2	Leisure & Recreation	0.3
3.8	One Leisure St Ives Redevelopment	1.4
0.2	Huntingdon West Development	0.5
0.1	Multi-Storey Car Park	4.6
0.5	Other	0.2
8.3	**Gross Expenditure**	**13.9**
	Less	
(1.2)	External contributions and capital grants	(5.4)
(0.6)	Castle Hill House capital receipt	(0.0)
6.5	**Net Expenditure**	**8.5**
	Funded from	
(0.5)	Capital Receipts	(1.0)
0.0	Capital Receipts Reserve Applied	(0.3)
(0.8)	Provision for Debt Repayment	(1.1)
(5.2)	Borrowing	(6.1)
(6.5)		**(8.5)**

2012/13 £m	Capital Investments	2013/14 £m
0.0	Loans to Organisation	1.6
0.0	**Net Expenditure**	**1.6**
	Funded from	
0.0	**Borrowing**	**(1.6)**
0.0		**(1.6)**

Analysis of Net Capital Expenditure by Service





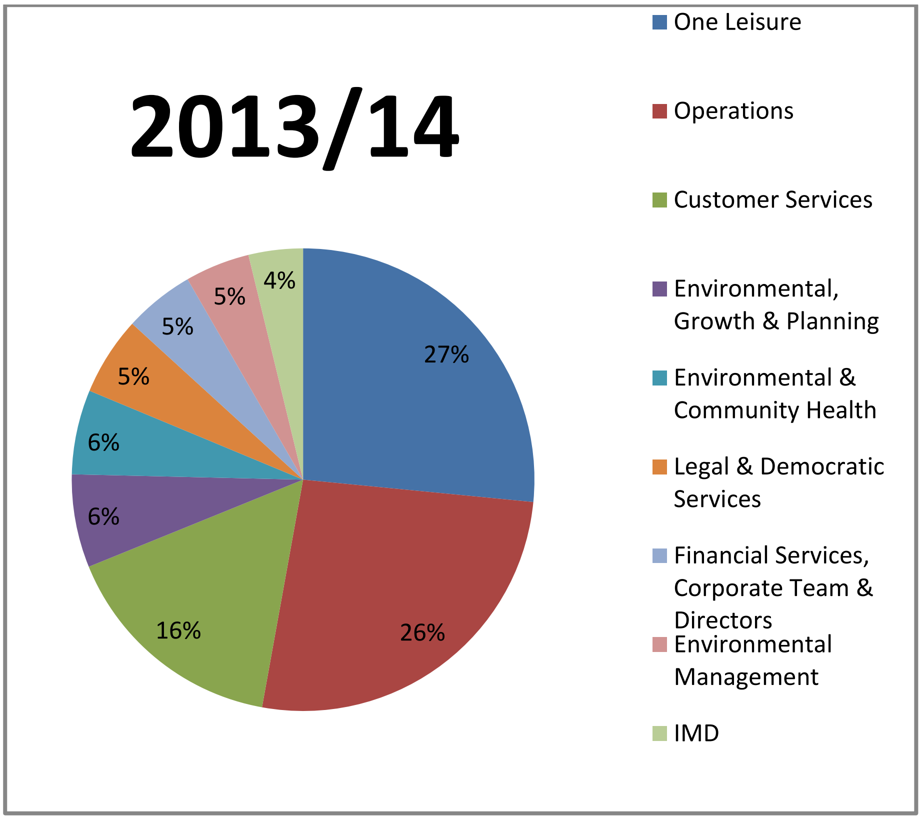
Treasury Management
Short term borrowing for the Council is undertaken throughout the year to help maintain daily cash flow and for the year this averaged £3.424m. This was carried out at very low interest rates due to a combination of the bank base rate remaining at 0.50% and borrowing from local authorities willing to offer lower rates to other local authorities as they are seen as a safe counterparty. During the year (2013/14) £1.500m was borrowed from Public Works Loans Board for a period of 10 years.

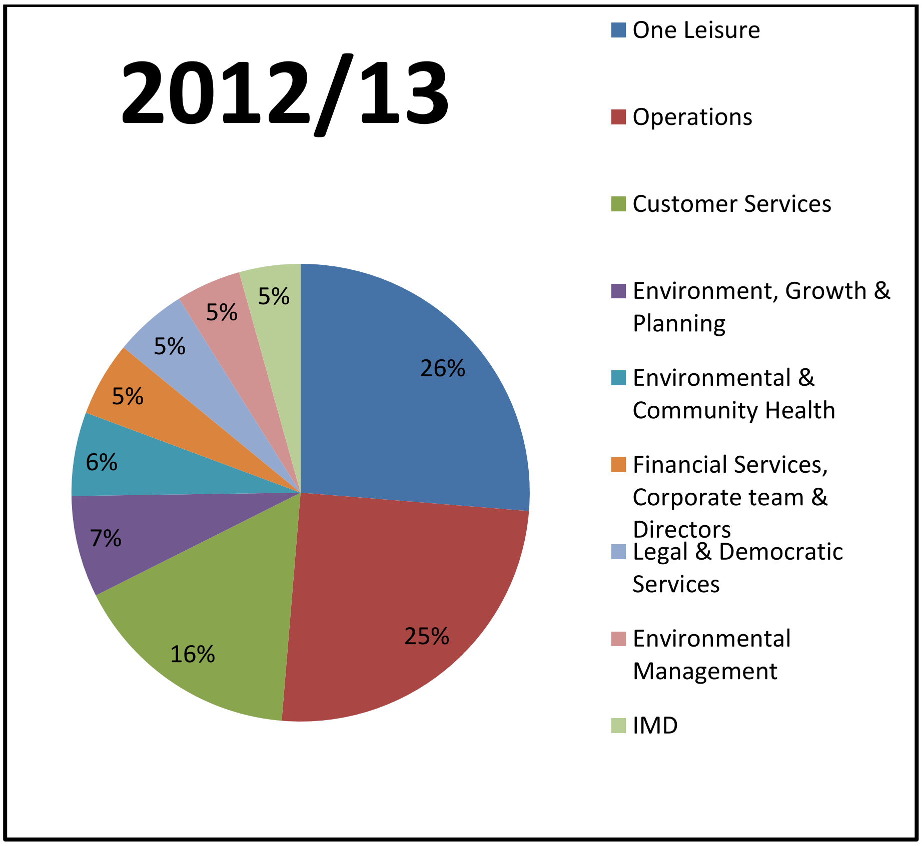
The economic climate and the Euro crisis led to the downgrading of credit ratings for several financial institutions. In order to manage risk, surplus funds have been invested mainly in AAA rated Money Market Funds or in Call or Liquidity accounts that offer instant access to funds, with the added benefit of interest rates at or above the bank base rate.

Trend in staffing number over recent years
Between the end of 2012/13 and 31 March 2014, the Council's staff numbers have decreased by 25.96 FTE's (3.71%).

As at the 31 March 2014 the Council employed 673.51 full time equivalent employees. The following graph shows the Council's staff numbers in 2013/14 for each service.

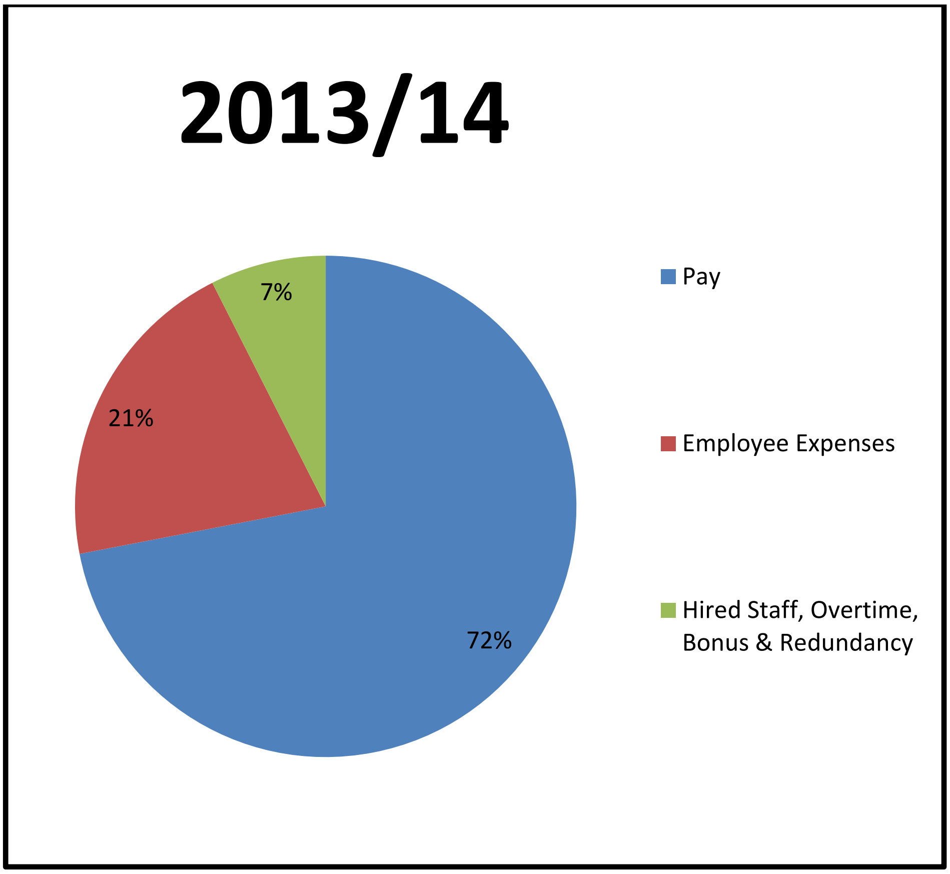
Full Time Equivalent Staff

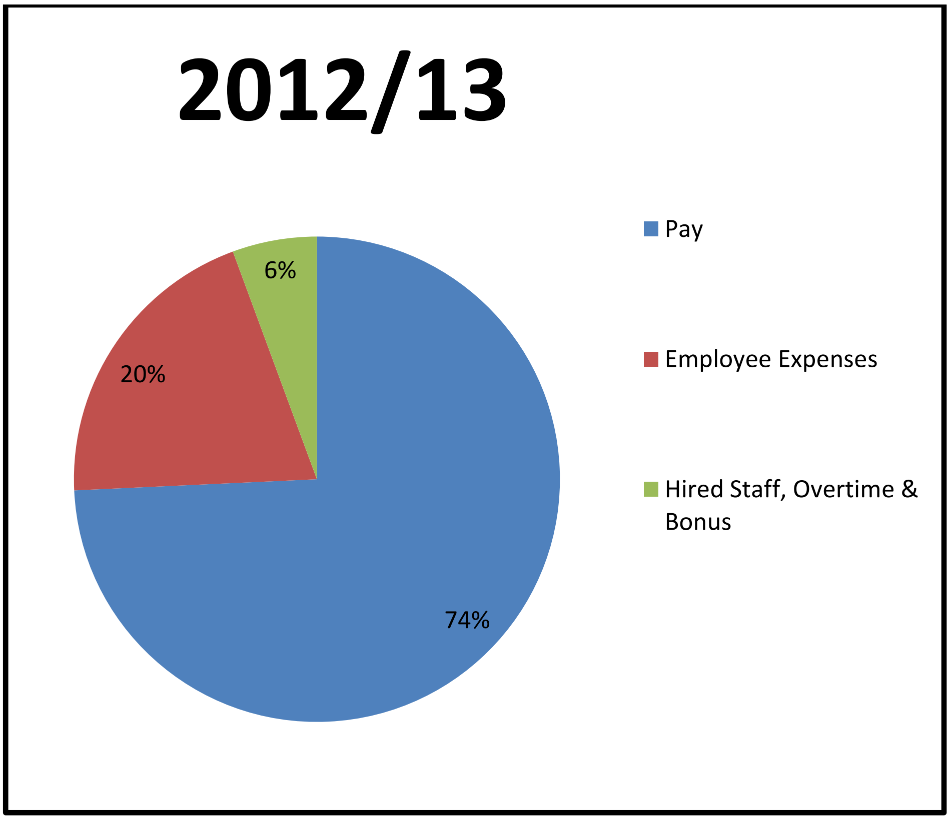




Cost of Employment

Of the total cost of employing staff, £24.245m in 2013/14, the split of this cost based on pay type is as follows:





The Financial Statements

The Council's financial statements for 2013/14 have been prepared in accordance with the:

- standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2013/14 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2011.

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 (CIES)
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, *rather than the amount to be funded from taxation*. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Cost of Services	**87.234**	**(58.512)**	**28.722**
Other Operating Expenditure	4.644	0	4.644
Financing & Investment Income & Expenditure	3.165	(3.086)	0.079
Taxation & Non-Specific Grant Income	18.124	(46.047)	(27.923)
(Surplus) or Deficit on Provision of Services			**5.522**
Other CIES adjustments			**(8.521)**
Total Comprehensive Income & Expenditure			**(2.999)**

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves', (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The surplus or deficit from the CIES (which shows the true economic cost) is then adjusted in accordance with statutory provisions to give the net increase/decrease before transfers to earmarked reserves. A final adjustment shows any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Total Useable Reserves £m	Total Unusable Reserves £m
Balance – 31 March 2013	**18.189**	**(8.438)**
Total Comprehensive Expenditure & Income	(5.522)	8.521
Adjustments between accounting & funding basis.	9.192	(9.192)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**3.670**	**(0.671)**
Transfers to/from Earmarked Reserves	0	0
Increase/(Decrease) in 2013/14	**3.670**	**(0.671)**
Balance – 31 March 2014	**21.859**	**(9.109)**

Usable Reserves:	31 March 2014 £m
General Fund	8.684
Earmarked Reserves	12.218
Capital Grants Unapplied	0.957
Total	**21.859**

Balance Sheet

The Balance Sheet shows the value at the 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are unusable and includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

	31 March 2014 £m
Long Term Assets	90.679
Current Assets	11.785
Current Liabilities	(16.099)
Long Term Liabilities	(73.615)
Net Assets	**12.750**
Useable Reserves	21.859
Unusable Reserves	(9.109)
Total Reserves	**12.750**

The Cash Flow Statement

The Cash Flow Statement shows the changes in “cash” (cash and cash equivalents) of the Council during the reporting period. The statement shows how the Council generates and uses “cash” by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Net cash flows from:	31 March 2014 £m
- operating activities	1.091
- investing activities	(2.211)
- financing activities	(0.005)
Net increase or (decrease) in cash and cash equivalents	**(1.125)**
Cash & Cash Equivalents	
- at the beginning of the reporting period	0.902
- at the end of the reporting period	**(0.223)**

The supplementary accounting statements comprise:

The Collection Fund Revenue Account
The Collection Fund is a separate account into which are paid amounts raised from local taxation. As well as including amounts collected in respect of Council tax, it now includes amounts collected from local businesses, which following the introduction of the Local Business Rates scheme, now means that Non-Domestic Rates as distributed subject to predetermined government set formulae. The Fund also accounts for payments due to preceptors.

	£m	£m
Income		
Council Tax	(88.721)	
NDR	(55.926)	
Total Income		**(144.647)**
Expenditure		
Precepts, Demands and Shares:		
- Central Government	28.674	
- Huntingdonshire District Council	31.198	
- Parish Precepts	4.649	
- Cambridgeshire County Council	67.267	
- Cambridgeshire Fire and Police	14.236	146.024
Collection Fund adjustments:		
- Prior year net surplus for preceptors	0.558	
- Debts Impaired	0.715	
- Provision for Appeals	5.135	6.408
Total Expenditure		**152.432**
Deficit/(Surplus) for the year		**7.785**
(Surplus) at beginning of the year		**(0.713)**
Deficit/(Surplus) for the year		7.785
Deficit/(Surplus) at end of year		**7.072**

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 2014. 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 2014 actuarial valuation identified a deficit of £61.464m, which was an increase of £3.030m on the deficit of £58.434m that was reported as at 31 March 2013.

Although this deficit represents the sum that would have to be added to meet forecast claims on the fund, if all the actuary's assumptions turn out to be valid, it is standard practice for the deficit to be met by making extra annual contributions over a period of years to reflect the detailed full revaluation results every three years. A triennial revaluation was undertaken during 2013/14. The Council has accepted the actuary's recommendation that employer contribution remains at 17.8%, with contributions topped up by lump sum deficit payment contributions of £0.789m in 2014/15, £1.135m in 2015/16, and £1.510m in 2016/17. The next triennial review is due in 2016/17 and its recommendations will apply from 1 April 2017.

Provisions and Contingencies

- **Provisions**
  The Council has established two new provisions for 2013/14, totalling £2.133m (2012/13; £0.137m). The provisions are in respect of outstanding NDR valuation appeals £2.054m and NDR funding that is owed to the Alconbury Weald Enterprise Zone £0.079m. All prior year provisions have been settled.

- **Contingent Assets and Liabilities**
  In respect of contingent assets, as a consequence of legal activity over the year, the Council is no longer making a disclosure; so for 2013/14 it is nil (2012/13; £2.431m). In respect of contingent liabilities, the total disclosed for 2013/14 is £4.625m (2012/13; £5.811m).

Details of provisions, contingent assets and liabilities are shown in Note 40 of the statement of accounts.

Technical Information

Huntingdonshire's financial statements for 2013/14 have been prepared in accordance with the:

- Standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2013/14 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2011.

International Financial Reporting Standards
The Council has reported its financial position based on the requirements of International Financial Reporting Standards (IFRS) and this is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Statement of Accounting Policies
The accounting polices applicable to the 2013/14 statement of accounts are, in the main, the same as those that were applied to the 2012/13 accounts except for IAS 19, please see Notes 39 and 42.

True and Fair View Override
As required by the Accounts and Audit Regulations 2011, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the "true and fair view override".

Changes to the Statement of Accounts
In the main, the 2013/14 Statement of Accounts is very similar to those for 2012/13. However, there have been some changes in respect of the Collection Fund; in that the Collection Fund is reported in a new format. This new format better shows the split between Non-Domestic Rates (NDR) and Council Tax and has come about as a consequence of the localisation of NDR.

Material and Unusual Charges or Credits in the Accounts
There are no material and unusual charges or credits in the accounts.

Material Events after the Reporting Date
There have not been any material events after the reporting date.

Material Assets Acquired or Liabilities Incurred
There have not been any material assets acquired or liabilities incurred during the year.

Changes in Statutory Functions
There were no changes in statutory functions in 2013/14.

Clive Mason CPFA

Head of Resources

25th September 2014

Further Information
Further information about the accounts is available from Clive Mason, Head of Resources.
☎ 01480 388157 or email clive.mason@huntingdonshire.gov.uk

Independent Auditors Report to the Members of Huntingdonshire District Council

Independent auditors' report to the Members of the Huntingdonshire District Council (the "Authority")

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2014 and of the Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Huntingdonshire District Council, comprise:

- the Balance Sheet as at 31 March 2014;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Collection Fund for the year then ended;[2]
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the CIPFA Service Reporting Code of Practice 2013/14.

In applying the financial reporting framework, the Responsible Financial Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are 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 Responsible Financial Officer; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Responsible Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 23 the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

Our responsibility is to audit and express an opinion on the financial statements 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 ISAs (UK & 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.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 15 October 2013, 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 2014.

What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves

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 on 15 October 2013, as to whether the Authority has proper arrangements for:

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

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 put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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.

Our responsibilities and those of the Authority

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.

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.

Certificate

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

Clive Everest (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
26 September 2014

(a) The maintenance and integrity of the Huntingdonshire District Council website is the responsibility of the directors; 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 they were initially presented on the website.

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

Statement of Responsibilities

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

The Head of Resources Responsibilities
The Head of 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 Head of 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 Head of 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 2014 and its income and expenditure for the year ended 31 March 2014

Clive Mason CPFA
Head of Resources

25th September 2014

Chairman's Approval of the Statement of Accounts

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Corporate Governance Panel of Huntingdonshire District Council at its meeting on 25th September 2014 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Cllr G Harlock CPFA
Chairman of the Corporate Governance Panel

Date 25th September 2014

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000 Note 8	Capital Grants Unapplied £000 Note 33	TOTAL USEABLE RESERVES £000	Unusable Reserves £000 Note 23	TOTAL COUNCIL RESERVES £000
Movement in reserves during 2013/14						
BALANCE AT 31 MARCH 2013 B/F	**10,587**	**6,804**	**798**	**18,189**	**(8,438)**	**9,751**
Surplus/(Deficit) on provision of services	(5,522)	0	0	**(5,522)**	0	**(5,522)**
Other comprehensive income and expenditure	0	0	0	**0**	8,521	**8,521**
Total comprehensive income and expenditure	**(5,522)**	**0**	**0**	**(5,522)**	**8,521**	**2,999**
Adjustments between accounting basis and funding basis under regulations (Note 7)	9,033	0	159	**9,192**	(9,192)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**3,511**	**0**	**159**	**3,670**	**(671)**	**2,999**
Transfers (from)/to earmarked reserves (Note 8)	(5,414)	5,414	0	**0**	0	**0**
Increase/(Decrease) in Year	**(1,903)**	**5,414**	**159**	**3,670**	**(671)**	**2,999**
BALANCE AT 31 MARCH 2014 C/F	**8,684**	**12,218**	**957**	**21,859**	**(9,109)**	**12,750**
Movement in reserves during 2012/13 Restated (Note 42)						
BALANCE AT 31 MARCH 2012 B/F	**12,914**	**5,233**	**528**	**18,675**	**2,808**	**21,483**
Surplus/(Deficit) on provision of services	(6,283)	0	0	**(6,283)**	0	**(6,283)**
Other comprehensive income and expenditure	0	0	0	**0**	(5,449)	**(5,449)**
Total comprehensive income and expenditure	**(6,283)**	**0**	**0**	**(6,283)**	**(5,449)**	**(11,732)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,574	0	270	**5,844**	(5,844)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**(709)**	**0**	**270**	**(439)**	**(11,293)**	**(11,732)**
Transfers (from)/to earmarked reserves (Note 8)	(1,618)	1,571	0	**(47)**	47	**0**
Increase/(Decrease) in Year	**(2,327)**	**1,571**	**270**	**(486)**	**(11,246)**	**(11,732)**
BALANCE AT 31 MARCH 2013 C/F	**10,587**	**6,804**	**798**	**18,189**	**(8,438)**	**9,751**

Comprehensive Income and Expenditure Statement

2012/13 Restated (Note 42) Gross Expenditure £000	Gross Income £000	Net Expenditure £000		2013/14 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,391	(6,637)	4,754	Cultural and Recreational Services	16,042	(7,235)	8,807
5,626	(1,541)	4,085	Environmental Services	5,322	(1,514)	3,808
3,297	(57)	3,240	Refuse Collection	3,351	(155)	3,196
4,844	(2,068)	2,776	Planning Services	4,977	(2,392)	2,585
42,537	(39,099)	3,438	Housing Services	44,269	(40,206)	4,063
2,497	(2,116)	381	Highways and Transport Services	5,858	(5,283)	575
9,078	(8,746)	332	Council Tax Benefits	661	(315)	346
1,314	(612)	702	Local Taxation Collection	1,349	(639)	710
1,067	(668)	399	Other Central Services	926	(639)	287
2,812	(5)	2,807	Corporate and Democratic Core	2,534	(67)	2,467
1,166	0	1,166	Non-Distributed Costs	1,945	(67)	1,878
85,629	**(61,549)**	**24,080**	**Cost of Services** (note 27)	**87,234**	**(58,512)**	**28,722**
5,110	0	5,110	Other Operating Expenditure (Note 9)	4,644	0	4,644
3,638	(2,529)	1,109	Financing and Investment Income and Expenditure (Note 10)	3,165	(3,086)	79
0	(24,016)	(24,016)	Taxation and Non-specific Grant Income (Note 11) *	18,124	(46,047)	(27,923)
94,377	**(88,094)**	**6,283**	**(Surplus)/Deficit on provision of services**	**113,167**	**(107,645)**	**5,522**
		53	(Surplus) or deficit in the revaluation of non-current assets (Note 23)			(9,617)
		60	Impairment losses on non-current assets charged to the Revaluation Reserve.(Note 23)			348
		5,336	Actuarial losses/(gains) on pension assets and liabilities (Note 39)			748
		5,449	**Other comprehensive income and expenditure**			**(8,521)**
		11,732	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**(2,999)**

* From 1st April 2013, as a consequence of The Local Government Finance Act 2012, a Local Non Domestic Rating regime was introduced that included the business rates retention scheme (see Note 11).

Balance Sheet

31 March 2013 £000		Notes	31 March 2014 £000
56,733	Property, Plant and Equipment	12	66,811
65	Heritage Assets	13	65
18,424	Investment Property	14	19,615
1,554	Intangible Assets	15	1,782
962	Long Term Debtors	16	2,406
77,738	**Long Term Assets**		**90,679**
6,144	Short Term Investments	16	1,909
147	Inventories	17	62
5,940	Short Term Debtors	18	9,670
902	Cash and Cash Equivalents	19	0
300	Assets held for sale	20	144
13,433	**Current Assets**		**11,785**
0	Cash and Cash Equivalents	19	(223)
(6,111)	Short Term Borrowing	16	(6,282)
(5,943)	Short Term Creditors	21	(7,461)
(137)	Provisions	40	(2,133)
(12,191)	**Current Liabilities**		**(16,099)**
(10,000)	Long Term Borrowing	16	(11,368)
(795)	Other Long Term Liabilities	16	(783)
(58,434)	Net Pensions Liability	39	(61,464)
(69,229)	**Long Term Liabilities**		**(73,615)**
9,751	**Net Assets**		**12,750**
18,189	Useable Reserves	22	21,859
(8,438)	Unusable Reserves	23	(9,109)
9,751	**Total Reserves**		**12,750**

Clive Mason CPFA
Head of Resources

25th September 2014

These financial statements replace the unaudited financial statements certified by Clive Mason (Head of Resources) on the 27th June 2014.

Cash Flow Statement

2012/13 £000		2013/14 £000
(5,634)	Net Deficit on the provision of services	(5,522)
6,166	Adjustments to net surplus or deficit on the provision of services for non-cash movements	8,553
(1,980)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,940)
(1,448)	Net cash flows from Operating Activities	**1,091**
1,273	Investing Activities (Note 25)	(2,211)
1,397	Financing Activities (Note 26)	(5)
1,222	Net increase/(decrease) in cash and cash equivalents	**(1,125)**
(320)	Cash and cash equivalents at the beginning of the reporting period	902
902	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**(223)**

Note 1. Accounting Policies

Accounting Policies in respect of Concepts and Principles

➢ **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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. Further, the accounting policies are applied on a consistent basis.

➢ **Government Grants and Contributions (IAS 20)**

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 (Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ringfenced 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.

➢ Accruals of Income and Expenditure

Income and expenditure are 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.

➢ 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 2012/13. 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.

- **Changes in Accounting Policies, Prior Period Adjustments, 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 2013/14, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Financial Report.

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.

- **Exceptional Items**

When items of income and expense are material, their nature and amount are 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.

- **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.

- **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 or 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 borrowing 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.

➢ **Value Added Tax**

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

➢ **Events after the Balance Sheet Date**

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.

➢ **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.

Accounting Policies in respect of Non-Current Assets

➢ **Property, Plant and Equipment (IAS 16)**

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

- Recognition

  Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the 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:

Fair Value:	Land and Buildings, Investment Properties
Depreciated Historic Cost:	Vehicles, Plant and Equipment, Infrastructure, Intangibles
Historic Cost:	Community Assets, Assets Under Construction Assets Held for Sale

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 three 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 2012 and when enhancement and/or acquisition expenditure is incurred after that date. The only assets that have been split into components in the 2012/13 accounts are offices and leisure centres. This is consistent with the prior year.

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.

- **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, known as the 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.

The basis for calculating MRP is restricted by legislation and the policy has to be approved by the Council. From 2013/14, the Council will adopt the following which clarifies the policy to be applied in differing circumstances:

i. MRP Policy in respect of Loans to Organisations or Loans with Security (as defined within the Treasury Management Strategy)

Where the Council has provided:

- loans to local organisations or businesses, and/or
- loans with security

and these loans are repaid on, at least an annual basis, that the principal repayments received can replace the need to make a minimum revenue provision.

ii. MRP Policy in respect of Debt not relating to Loans to Organisations

MRP for this category will be 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.

- **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 £0.065m. 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.

- Mayoral Regalia and Art Collection

  The Council has two mayoral chains of office and two paintings; however the total estimated value of these assets, based on insurance valuations, is £0.033m. As individually these assets are not material, they have not been included in the Balance Sheet.

➢ 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.

➢ 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 results 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 Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

➢ **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 years, 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.

- **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 Movement in Reserves Statement and posted to the Capital Adjustment Account.

Accounting Policies in respect of Current Assets

- **Inventories**

The Council has a number of inventories but none either individually or in aggregate are material to the accounts. However, the valuation approach in respect of the main inventory types (Fuel and Stock for Sale) is First In First Out.

- **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.

- **Provisions and Contingent Liabilities**

- 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 as a contingent liability within the notes 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.

Accounting Policies in respect of 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 31 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:

- o **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.
- o **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.
- o **net interest on the net defined liability**, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- o **the return on plan assets** – excluding amounts charged in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- o **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.
- o **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 that are earned by employees. There has been a slight change in the accounting policies in respect of IAS 19, please see Notes 39 and 42.

➢ **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.

Accounting Policies in respect of Financial Instruments

➢ **Financial Assets**

The main financial assets attributable to the Council are:

- 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.

➢ **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.

Note 2. Accounting Standards that have been Issued but have not yet been Adopted

The following are the accounting policies that have been issued but as yet have not been adopted by the Council as at the Balance Sheet date:

- **IAS 1 – Presentation of Financial Statements**

  A possible regrouping of items currently disclosed within “Other Comprehensive Income & Expenditure” to “(Surplus)/Deficit in the Provision of Services”; including items where a profit/loss might occur at some future point. The main impact of this change will be on the available for sale financial assets under IFRS 9.

  It is expected that this will have a marginal impact on the Council.

- **IFRS 10 – Consolidated Financial Statements**

  This standard establishes principles for the presentation and preparation of consolidated financial statements when the Council controls one or more other entities.

  This standard is not applicable to the Council as it does not exert control over any other entities but this will be kept under review as the Council undertakes a period of service transformation that may include alternative service delivery models.

- **IFRS 11 – Joint Arrangements**

  This standard outlines the accounting by the Council in respect of jointly controlling an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control that are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounts for accordingly).

  The Council is in a joint arrangement with South Cambridgeshire District Council and Cambridge City Council in respect of the Cambs Home Improvement Agency; whose role is to approve Disabled Facilities Grants. The Councils interest is not material.

- **IFRS 12 – Disclosure of Interests in Other Entities**

  This standard is a consolidation disclosure standard that requires a wide range of disclosure about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated "structure entities".

  The applicability of this standard will be in line with IFRS 11 – Joint Arrangements.

- **IAS 27 – Separate Financial Statements**

  This standard outlines the accounting and disclosure requirements for 'separate financial statements", which are financial statements prepared by a parent or an investor in a joint venture or associate, where those investments are accounted for either at cost of in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

  It considered that this standard will have limited applicability to the Council.

- **IAS 28 Investments in Associates and Joint Ventures**

  This standard outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those polices).

  The applicability of this standard will be in line with IFRS 11 – Joint Arrangements.

- **IAS 32 Financial Instruments: Presentation**

  This standard outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset.

  As a presentational change this will be applicable to the Council.

  Balance Sheet Restatement
  The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, page 289/290 has stated that the changes in respect of IFRS 10, 11 and 12 and IAS 27 and 28 may require the publication of a restated Balance Sheet as at the beginning of the preceding period (i.e. a third Balance Sheet).

Note 3. 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 judgements made in the Statement of Accounts are:

- The government has announced a significant reduction in funding for local government over the term of this parliament which has introduced a high degree of uncertainty about future levels of service provision. This will be through a process of service rationalisation which will be finalised through the annual budget decisions process. It is probable that there will be an impact on how the Council utilises its asset portfolio; however, the Council has determined that this uncertainty is not yet sufficient to provide an indication of which assets might become impaired as a result of a need to close facilities due to a reduction in service provision.

- In line with the Code of Practice on local authority accounting in the United Kingdom 2013/14, based on International Financial Reporting Standards, the Council has not charged depreciation on land, investment properties, community assets, assets held for sale and assets under construction. For all these assets, the total value for 2013/14 for land is £13.067m and Buildings (NBV) is £14.466m (2012/13; land is £11.046m and Buildings (NBV) is £18.020m).

- The Council has taken professional advice from the Pension Fund's actuary, Hymans Robertson LLP, to determine the overall net liability of the fund which is £61.464m for 2013/14; this has increased by £3.030m since 2012/13. However:

    - This does not adversely affect the financial position of the Council as the actuarial valuation is based on a number of assumptions about the future, as shown in Note 39.
    - The revenue impact of the deficit is formally reviewed by the actuary on a triennial basis who determines revised employer contributions for the forthcoming 3-year period. Further, fluctuations in pension assets and liabilities occur due to movements in market investments.

- Under the previous national Non Domestic Rates scheme (prior to April 2013) the cost of any successful appeals to reduce the rateable value of a property were met from a national pool. Under the new scheme, introduced on 1 April 2013, these costs are shared between the participants of the Councils Collection Fund. This includes the cost of any outstanding appeals which may be backdated prior to 1 April 2013. These backdated costs could not be provided for until 1 April 2013 as the new scheme had not come into force.

  To estimate the provision for outstanding appeals, the Council has sought and reviewed expert opinion from "inform CPI Limited". An estimated provision of £5.135m has been included in the Collection Fund in respect of successful appeals costs. Of the total estimated provision, £3.552m is for backdated costs prior 1 April 2013 and £1.583m for costs attributable to 2013/14. The Council's share of any such Collection Fund costs is 40% or £2.054m of the total provision and this is included in the General Fund balance.

Note 4. 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 2014 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	All Property is reviewed on a 3 year rolling basis. Where an asset has not been specifically reviewed a "table-top" analytical review is undertaken to determine if the principle valuation indexes show a material change in the current assets valuation. In addition, an annual impairment review is undertaken to determine if any of the Council's assets have been impaired.	74% of the Council's assets are valued at fair value, so the impact of changes in market value is 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 £0.497m. 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.
Plant and Equipment	Plant and Equipment are valued on an historic cost basis.	There will not be any changes to this valuation due to market conditions because the valuation approach reflects costs at acquisition or similar situations.
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 £0.196m.
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 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 £15.961m. • A 1 year increase in life expectancy would result in an increase in pension liability of 3% or £4.871m. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 3% or £5.210m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 6% or £10.519m.
Sundry Debt Arrears	The Bad Debt Provision (BDP), also known as Debtor Impairment, calculation is based on the current aged debt profile, past payment behaviour and past write off activity. At 31st March 2014 the Council has a net debtors balance of £9.670m	Each debt type has an independent BDP rate determined by previous debt activity. If only Sundry Debtor debt is considered, increasing the BDP by 10% would have an additional £35,035 impact on revenue. However, to achieve such an increase in the BDP, the actual debt would have to increase by £78,357.
Sundry Creditors (Housing	During the year the Council pays Housing Benefits to local residents who are entitled to receive it; these	The amount of Housing Benefit in payment at any given time is dependent on the number of claims made at that time, which is itself

Benefits)	payments are reimbursed by Central Government subsidy. The Subsidy reimbursement relates to amounts paid on or before 28th March, however, accruals have been made to reflect the period that the payments actually cover. The Housing Benefit payments made by the Council are on one of the two following bases: i. 4-week in arrears, or ii. 2-weeks in arrears/2-weeks in advance.	affected by both local and national economic conditions. Consequently it is difficult to provide a meaningful sensitivity analysis.
Provision – Rateable Value Appeals	Appeals by non-domestic ratepayers for a reduction in the rateable value of their premises are outstanding. Appeals are determined by The Valuation Office and are not within the Council's control. However, expert independent advice has been sought in arriving at an estimated provision.	The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of individual estimates for the outcome of each outstanding appeal rather than a mean estimate for all appeals. The appeals provision was based on a review by expert opinion from "inform CPI Limited". It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by the Safety Net calculation (the calculation of which is limited by regulation). A 10% variation in the estimated provision would be £0.513m for the Collection Fund of which £0.205m would be the share of the attributable to the General Fund. It should be noted that no adjustment, or other disclosure, has been made in respect of NDR Appeals that have yet to be lodged by local businesses.

Note 5. Material Items of Income and Expenditure

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the Council (i.e. extraordinary). During 2013/14 no such items of income or expenditure were incurred (2012/13; nil.)

Note 6. Events after the Balance Sheet Date

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Head of Resources on 27th June 2014.

With regard to 2013/14:

- **Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2014.

- **Non-Adjusting Events**

  Grant for Capital Investment
  In June 2014 the Council received approval from DCLG to receive a grant totalling £5.0m to support capital investment within the Alconbury Enterprise Zone. The Council will be the Accountable body, a first payment of £1.0m was directly passported to the developers in August 2014, with a further £3.5m being paid over between October and January 2015. The balance of £0.5m will be distributed at a later date following discussion with the Local Enterprise Partnership.

  Partnership Working
  In April 2014 the Council made a public announcement that is was entering into a 'strategic partnership' with South Cambridgeshire District Council. The aim of the partnership is to improve council services and the resilience of those services, as well as protecting residents from the national cuts to local government funding. Since April, both Councils have also been working with Cambridge City Council and the intention is for all three Councils to work more closely together and explore opportunities for increasing the sharing of services. By the date of authorisation of the Annual Financial Report, no specific commitment had been made by any Council to share specific services but the partnership has been awarded £0.5m in grant funding from the DCLG Transformation Fund.

Note 7. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2013/14

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £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	(8,003)	0	0	8,003
Amortisation of intangible fixed assets	(296)	0	0	296
Fair value of investment properties	1,191	0	0	(1,191)
Net Revenue expenditure funded from capital under statute	(1,786)	0	0	1,786
Net carrying amount of non-current assets sold	(42)	0	0	42
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	2,579	0	318	(2,897)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	1,120	0	0	(1,120)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	965	0	(965)
Proceeds of sale of non-current assets	821	(821)	0	0
Repayment of loan	0	(145)	0	145
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1)	1	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	41	0	0	(41)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	(6,244)	0	0	6,244
Employer's pensions contributions and direct payments to pensioners payable in the year	3,962	0	0	(3,962)
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	(2,864)	0	0	2,864
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	477	0	(477)	0
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	12	0	0	(12)
Total Adjustments	**(9,033)**	**0**	**(159)**	**9,192**

2012/13

	Useable Reserves			
	General Fund balance Restated (Note 42) £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves Restated (Note 42) £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	(3,564)	0	0	3,564
Amortisation of intangible fixed assets	(491)	0	0	491
Fair value of investment properties	(80)	0	0	80
Net Revenue expenditure funded from capital under statute	(970)	0	0	970
Net carrying amount of non-current assets sold	(1,033)	0	0	1,033
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	97	0	0	(97)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	835	0	0	(835)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	1,114	0	(1,114)
Proceeds of sale of non-current assets	1,107	(1,107)	0	0
Repayment of loan	0	(16)	0	16
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(9)	9	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	(10)	0	0	10
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	(5,457)	0	0	5,457
Employer's pensions contributions and direct payments to pensioners payable in the year	3,700	0	0	(3,700)
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	35	0	0	(35)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	270	0	(270)	0
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	(4)	0	0	4
Total Adjustments	**(5,574)**	**0**	**(270)**	**5,844**

Note 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet General Fund expenditure (either revenue expenditure or direct revenue financing of capital).

	Balance 31.3.12 £000	Transfers in £000	Transfers out £000	Balance 31.3.13 £000	Transfers in £000	Transfers out £000	Balance 31.3.14 £000	Purpose of Reserve
S106 agreements	**(1,297)**	(409)	178	**(1,528)**	(253)	74	**(1,707)**	**A**
Commuted S106 payments	**(1,442)**	(7)	114	**(1,335)**	(4)	161	**(1,178)**	**B**
Repairs and renewals funds	**(984)**	(348)	242	**(1,090)**	(292)	180	**(1,202)**	**C**
Delayed projects	**(749)**	(237)	0	**(986)**	0	741	**(245)**	**D**
Collection Fund	**0**	0	0	**0**	(2,768)	0	**(2,768)**	**E**
Capital Investment	**0**	0	0	**0**	(2,009)	0	**(2,009)**	**F**
Special reserve	**(260)**	(1,000)	0	**(1,260)**	(1,241)	1	**(2,500)**	**G**
Government grants with no conditions	**(166)**	0	166	**0**	0	0	**0**	**H**
Other reserves	**(335)**	(295)	25	**(605)**	(99)	95	**(609)**	**I**
Total	**(5,233)**	**(2,296)**	**725**	**(6,804)**	**(6,666)**	**1,252**	**(12,218)**	
Net movement in Earmarked Reserves			**(1,571)**			**(5,414)**		

Purpose of Reserve

A	S106 agreements	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.
B	Commuted S106 payments	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.
C	Repairs and renewals funds	The services contribute an annual sum and the funds are used to pay for one-off repair or renewal items; thereby evening out the spending on large maintenance items.
D	Delayed projects	To fund items that were included in the budget for one year but will not be spent until the following year.
E	Collection Fund	Excess NDR received from the Collection Fund due to be repaid in future years.
F	Capital Investment	Revenue allocation to meet future spend-to-save capital investment projects.
G	Special reserve	To support business activity that will achieve future savings.
H	Government grants with no conditions	The government grants reserve is for grants paid in the year of account but relate to the following year.
I	Other reserves	This is a summary of other less significant reserves that support ongoing service activity, including the: • Building Control reserve, • Home Improvement Agency reserve, and • Housing Association footpaths reserve.

Note 9. Other Operating Expenditure

2012/13 £000		2013/14 £000
4,708	Parish Council precepts	5,006
375	Drainage Board Levies	382
9	Payments to the Government housing capital receipts pool	1
18	(Gains)/losses on the disposal of non-current assets	(745)
5,110	**Total**	**4,644**

Note 10. Financing and Investment Income and Expenditure (Restated)

2012/13 Restated (Note 42) £000		2013/14 £000
416	Interest payable and similar charges	440
2,447	Pensions interest cost and expected return on pensions assets	2,621
(445)	Interest receivable	(242)
(1,335)	Income and expenditure in relation to investment properties and changes in their fair value	(2,738)
26	Trading operations	(2)
1,109	**Total**	**79**

Note 11. Taxation and Non Specific Grant Income

2012/13 £000		2013/14 £000
(12,533)	Council tax income	(12,240)
(9,293)	Non domestic rates	(3,442)
(2,093)	Non-ringfenced government grants	(9,662)
(97)	Capital grants	(1,419)
0	Donated Assets	(1,160)
(24,016)	**Total**	**(27,923)**

Note 12. Property, Plant and Equipment

Movements in 2013/14	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2013	**37,484**	**16,095**	**10,617**	**1,406**	**0**	**4,211**	**69,813**
Additions in year	7,137	1,551	0	0	0	9	**8,697**
Revaluation increases and decreases recognised in the Revaluation Reserve	6,296	0	0	0	85	0	**6,381**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	(1,171)	0	0	0	0	0	**(1,171)**
Non-enhancing capital expenditure	(3,892)	0	0	0	0	0	**(3,892)**
Transfer within Property, Plant and Equipment	4,211	0	0	0	0	(4,211)	**0**
Transfer to other types of assets	(144)	0	0	0	300	0	**156**
Adjustment for disposal	(90)	(338)	(10)	0	0	0	**(438)**
At 31 March 2014	**49,831**	**17,308**	**10,607**	**1,406**	**385**	**9**	**79,546**
Accumulated Depreciation At 1 April 2013	**(2,627)**	**(7,770)**	**(2,683)**	**0**	**0**	**0**	**(13,080)**
Depreciation charged in year	(1,236)	(1,585)	(492)	0	0	0	**(3,313)**
Depreciation written out to revaluation reserve	2,926	0	0	0	0	0	**2,926**
Depreciation written out to Comprehensive Income and Expenditure Statement	373	0	0	0	0	0	**373**
Adjustment for disposal	11	338	10	0	0	0	**359**
At 31 March 2014	**(553)**	**(9,017)**	**(3,165)**	**0**	**0**	**0**	**(12,735)**
Net Book Value							
At 31 March 2014	**49,278**	**8,291**	**7,442**	**1,406**	**385**	**9**	**66,811**
At 31 March 2013	**34,857**	**8,325**	**7,934**	**1,406**	**0**	**4,211**	**56,733**

Movements in 2012/13	**Other Land and Buildings** £000	**Vehicles, Plant, Furniture & Equipment** £000	**Infrastructure Assets** £000	**Community Assets** £000	**Surplus Assets** £000	**Assets Under Construction** £000	**Total Property, Plant and Equipment** £000
Cost or Valuation							
At 1 April 2012	**37,926**	**14,677**	**10,573**	**1,406**	**0**	**586**	**65,168**
Additions in year	118	1,810	68	0	0	3,654	**5,650**
Revaluation increases and decreases recognised in the Revaluation Reserve	37	0	0	0	0	0	**37**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	(125)	0	0	0	0	0	**(125)**
Transfer to other types of assets	(320)	0	0	0	0	(29)	**(349)**
Adjustment for disposal	(152)	(392)	(24)	0	0	0	**(568)**
At 31 March 2013	**37,484**	**16,095**	**10,617**	**1,406**	**0**	**4,211**	**69,813**
Accumulated Depreciation	**(1,320)**	**(6,476)**	**(2,207)**	**0**	**0**	**0**	**(10,003)**
At 1 April 2012					0		
Depreciation charged in year	(1,338)	(1,651)	(490)	0	0	0	**(3,479)**
Depreciation written out to revaluation reserve	3	0	0	0	0	0	**3**
Adjustment for disposal	28	357	14	0	0	0	**399**
					0	0	
At 31 March 2013	**(2,627)**	**(7,770)**	**(2,683)**	**0**	**0**	**0**	**(13,080)**
Net Book Value							
At 31 March 2013	**34,857**	**8,325**	**7,934**	**1,406**	**0**	**4,211**	**56,733**
At 31 March 2012	**36,606**	**8,201**	**8,366**	**1,406**	**0**	**586**	**55,165**

Capital Commitments
As at 31 March 2014 the Council was contractually committed to capital works valued at approximately £1.671m (31 March 2013; £1.595m).

The main schemes are:

		£m
Environmental & Community Health:	Loves Farm Community Centre	0.477
Transportation:	St Neots Railway Station	0.116
Environmental Management:	Huntingdon Multi-Storey Car Park	0.400
Environmental Management:	Huntingdon West of Town Centre	0.200
Environmental Management:	Replacement Central Heating One Leisure	0.020
Housing Services:	Housing Grants	0.458

Revaluations

- Land and buildings
  These assets are held at current value (fair value) and are revalued as at 1 April 2013 onwards. The Council currently operates a three year rolling valuation program. Where there has been significant capital expenditure on properties a revaluation will take place.

  The valuations were carried out externally and independently by Mr MJ Beardall BLE (Hons) MRICS (Member, Royal Institution of Chartered Surveyors) of Barker Storey Matthews. Mr Beardall has relevant experience in valuing these types of property and is a member of the Valuer Registration Scheme, and meets the requirements of the Red Book with regard to qualifications of the valuer, knowledge and skills, and independence and objectivity.

  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 Global & UK Edition (January 2014) incorporating the international Valuation Standards.

  - The assets have been valued in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting (the code), published by CIPFA.

  - The fair value has been calculated by reference to comparable market evidence, including market evidence from the local geographical area. Adjustments have been made to factor in any unusual or onerous obligations, such as repairing obligations.

  - Where market evidence is unavailable due to the nature of the property; a depreciated replacement cost (DRC) method has been used. The DRC approach requires an estimate of the value of the land in its existing use together with the current gross replacement costs of the building and its external works. Adjustments have been made to reflect the age, condition, economic, functional and environmental obsolescence and other locational factors. The build cost for DRC purposes has been calculated using the Building Cost Information Service quarterly review of building prices and is representative for an instant build approach.

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

  - Useful economic life is based on how long the asset will deliver economic benefits for any purpose. This is based on the type of construction, the current age, and the condition of the asset.

  - 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.

  - Assets falling outside of specific revaluation in the current financial year have been considered, and it is the valuer's belief that no other assets require an impairment review.

  - Components have been considered in relation to LAAP 86 Componentisation of Property, Plant and Equipment, and the Council's componentisation policy.

  - 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.

- Building surveys have not been carried out, nor have inaccessible parts of buildings been inspected.

- 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.

- We have assumed no contamination to be affecting the properties or neighbouring properties, which would affect our opinion on value.

- The properties are assumed to be in areas not prone to flooding.

- Vehicles, Plant, Equipment, Infrastructure, and Intangible Assets are valued at historic cost, as at the date of acquisition and subsequent capital enhancement expenditure less depreciation. Community Assets, Assets Under Construction and Assets Held For Sale, are valued at historic cost at the date of acquisition and subsequent capital enhancement. Consequently there is no ongoing revaluation review for these assets.

Revaluation Profile	**Other Land and Buildings £000**	**Surplus Assets £000**	**Total £000**
Valued at Fair Value as at:			
31 March 2014	40,468	385	40,853
31 March 2013	8,810	0	8,810
Total Cost of Valuation	**49,278**	**385**	**49,663**

Note 13. Heritage Assets

Cultural Heritage Assets

The Council has identified the Norman Cross Eagle as a Heritage Asset and this is disclosed in the Balance Sheet, based on insurance valuation, at £0.065m. 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.

Changes to the Heritage Asset Portfolio and Valuations

There have not been any additions, disposals, revaluations or reclassifications to the Heritage Assets portfolio during 2013/14.

Reconciliation of the Carrying Value of Heritage Assets held by the Council:

	Cultural £000	Total Heritage Assets £000
Cost or Valuation		
At 1 April 2013	**65**	**65**
At 31 March 2014	**65**	**65**
Cost or Valuation		
At 1 April 2012	**65**	**65**
At 31 March 2013	**65**	**65**
Net Book Value		
At 31 March 2014	**65**	**65**
At 31 March 2013	**65**	**65**

Note 14. 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.

2012/13 £000		2013/14 £000
(1,791)	Rental income from investment property	(1,871)
376	Direct operating expenses arising from investment property	324
(1,415)		**(1,547)**
80	Revaluation Adjustment	(1,191)
(1,335)	Net (gain)/loss	**(2,738)**

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

2012/13 £000		2013/14 £000
18,504	**Balance at start of the year**	**18,424**
(80)	Net gain/(loss) for fair value	1,191
18,424	**Balance at end of the year**	**19,615**

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 repair, maintenance or enhancement.

Note 15. 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 is generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.296m charged to revenue in 2013/14. This was either charged to the Information Management Division, and then absorbed as an overhead across all the service headings in the Net Expenditure of Services, or directly to services.

Capital Commitments
As at 31 March 2014 the Council was not committed contractually to any capital works (31 March 2014; Nil).

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

2012/13 £000		2013/14 £000
	Balance at start of year:	
5,093	Gross carrying amounts	3,306
(3,477)	Accumulated amortisation	(1,752)
1,616	**Net carrying amount at start of year**	**1,554**
582	Additions	524
(491)	Amortisation for the period	(296)
(2,369)	Disposals or retirements	(175)
2,216	Amortisation on Disposal	175
1,554	**Net carrying amount at end of year**	**1,782**
3,306	Gross carrying amounts	3,655
(1,752)	Accumulated amortisation	(1,873)
1,554	**Net carrying amount at end of year**	**1,782**

Note 16. Financial Instruments

The financial assets and liabilities included on the Balance Sheet comprise the following categories of financial instruments.

Long-term			Current	
2012/13 £000	2013/14 £000		2012/13 £000	2013/14 £000
		Investments and Cash & Cash Equivalents		
0	0	Loans and receivables	7,046	1,909
0	**0**	**Total investments and Cash & Cash Equivalents**	**7,046**	**1,909**
		Debtors		
962	2,406	Loans and receivables	5,057	9,245
962	**2,406**	**Total Debtors**	**5,057**	**9,245**
		Borrowings		
(10,000)	(11,368)	Financial liabilities at amortised cost	(6,111)	(6,282)
(10,000)	**(11,368)**	**Total borrowings**	**(6,111)**	**(6,282)**
		Other Long-Term Liabilities		
(795)	(783)	Loans and Leasing	0	0
(795)	**(783)**	**Total Other Long-Term Liabilities**	**0**	**0**
		Creditors		
0	0	Financial liabilities at amortised cost	(4,453)	(6,441)
0	**0**	**Total creditors**	**(4,453)**	**(6,441)**

Gains and losses on income and expense

Financial Liabilities (Liabilities measured at amortised cost)			Financial Assets (Loans and Receivables)	
2012/13 £000	2013/14 £000		2012/13 £000	2013/14 £000
416	440	Interest expenses	0	0
0	0	Interest income	(445)	(242)
416	**440**	**Net gain/(loss) for the year**	**(445)**	**(242)**

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 spreadsheets provided by our advisors, or by using the following assumptions:

- An estimated interest rate based on 10 year PWLB rates with a range of 2.91% to 5.15%, depending on the relevant year, has been used to calculate the fair value of private sector housing improvements loans.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of debtors is taken to be the invoiced or billed amount.

2012/13 Carrying amount £000	**2012/13** Fair value £000		**2013/14** Carrying amount £000	**2013/14** Fair value £000
		Liabilities		
(20,564)	(22,569)	Financial liabilities	(26,368)	(27,725)
		Assets		
13,073	13,203	Loans and receivables	13,560	13,556

The Financial Liabilities are shown below:

Financial Instrument	**2012/13** Carrying amount £000	**2013/14** Carrying amount £000	**Details**
Long Term			
PWLB (3.91%)	(5,000)	(5,000)	3.91%; 19 December 2008 to 19 December 2057
PWLB (3.90%)	(5,000)	(5,000)	3.90%; 19 December 2008 to 19 December 2058
PWLB (2.24%)	0	(1,296)	2.24% 7 August 2013 to 7 August 2023
Salix Loan	0	(72)	
Accrued Interest	(110)	(115)	
	(10,110)	**(11,483)**	
Short Term			
PWLB (2.24%)	0	(137)	
Portsmouth City Council	0	(4,000)	0.40%; 14 March 2014 to 14 April 2014
South Lanarkshire	0	(2,000)	0.32%; 18 March 2014 to 22 April 2014
Worcestershire CC	(5,000)	0	0.31%; 13 March 2014 to 29 April 2014
London Borough of Merton	(1,000)	0	0.40%; 25 March 2014 to 30 April 2014
Salix Loan	0	(29)	
Accrued Interest	(1)	(1)	
	(6,001)	**(6,167)**	
Creditors	**(4,453)**	**(8,495)**	
Bank Balance	**0**	**(223)**	
	(20,564)	**(26,368)**	

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 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 net fair value of the assets is lower than the carrying amount because the portfolio includes investments where the interest rate receivable is lower than the rates available for similar investments at the Balance Sheet date. This shows a notional future loss arising from a commitment to receive interest above current market rates.

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.

Note 17. Inventories

The main items in 'other inventories' are refuse sacks £9,000, printing stock £4,000 and uniforms £8,000 (2012/13; £23,000, £6,000, £7,000 respectively)

	Leisure Centres		Diesel		Other		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Balance outstanding at start of year	**89**	**81**	**33**	**25**	**63**	**41**	**185**	**147**
Purchases	0	0	651	598	39	49	690	647
Recognised as an expense in the year	0	0	(655)	(642)	(35)	0	(690)	(642)
Stock adjustment	(8)	(15)	(4)	(9)	(26)	(66)	(38)	(90)
Balance outstanding at year-end	**81**	**66**	**25**	**(28)**	**41**	**24**	**147**	**62**

Note 18. Debtors

2012/13 £000		2013/14 £000
2,678	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	4,635
161	Other Local Authorities	580
4,562	Other entities and individuals	6,014
(1,461)	Bad debt provision (Impairment of loans and receivables)	(1,559)
5,940		**9,670**

Note 19. Cash and Cash Equivalents

2012/13 £000		2013/14 £000
6	Cash held by the Council	10
2,617	Bank balances	1,432
(1,721)	Bank current accounts (overdraft)	(1,665)
902	**Net Total Cash and Cash Equivalents (overdrawn)**	**(223)**

Note 20. 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 sale proceeds, whichever is lower.

2012/13 £000		2013/14 £000
805	**Balance at Start of Year**	300
	Assets Transferred to Property, Plant and Equipment	
0	Land at St Mary's Street Huntingdon	(300)
0	**Net Assets Held for Sale**	**(300)**
	Assets Sold	
(250)	Site Former Fire Station and Depot	**0**
(555)	Castle Hill House	**0**
(805)		**0**
	Transfers from Non-Current Assets	
300	Land at St Marys Street Huntingdon	0
0	Land at Hermitage Earith	144
300		**144**
300	**Balance at End of Year**	**144**

Note 21. Creditors

2012/13 £000		2013/14 £000
912	Central Government bodies - Her Majesty's Revenue and Customs, and Department of Communities and Local Government	967
3,226	Other Local Authorities	3,827
299	National Health Service	336
0	Public Corporations'	430
1,506	Other entities and individuals	1,901
5,943		**7,461**

Note 22. Useable Reserves

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

Note 23. Unusable Reserves

2012/13 £000		2013/14 £000
(44,361)	Capital Adjustment Account	(40,462)
(6,092)	Revaluation Reserve	(15,161)
231	Financial Instruments Adjustment Account	190
58,434	Pensions Reserve	61,464
(97)	Collection Fund Adjustment Account	2,767
323	Accumulating Compensated Absences Adjustment Account	311
8,438	**Total Unusable Reserves**	**9,109**

<u>Capital Adjustment Account</u>

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

2012/13 £000	2012/13 £000	Capital Adjustment Account	2013/14 £000	2013/14 £000
	(48,191)	**Balance at 1 April**		**(44,361)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,564		Charges for depreciation and impairment of non-current assets	8,003	
491		Amortisation of intangible assets	296	
970		Revenue expenditure funded from capital under statute	1,786	
1,033		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	42	
(231)		Adjusting amounts written out of the Revaluation Reserve	(200)	
		Capital financing applied in the year:		
(1,114)		Use of the Capital Receipts Reserve to finance new capital expenditure	(965)	
(47)		Use of the earmarked S106 reserve	0	
(97)		Application of grants to finance capital expenditure	(2,579)	
0		Application of grants to capital financing from the Capital Grants Unapplied Account	(318)	
(835)		Statutory provision for the financing of capital investment charged against the General Fund	(1,120)	
16		Repayment of long term debtors	145	
80		Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,191)	
	3,830	Total movements		**3,899**
	(44,361)	**Balance at 31 March**		**(40,462)**

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.

2012/13 £000	Revaluation Reserve	2013/14 £000
(6,436)	**Balance at 1 April**	**(6,092)**
(42)	Upward revaluation of assets	(9,655)
95	Other adjustments for assets removed or transferred - written off to Capital Adjustments Account	38
53	**(Surplus) or deficit in the revaluation of non-current assets**	**(9,617)**
60	Downward revaluation of assets not charged to the surplus/deficit on the provision of services	348
231	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	200
(6,092)	**Balance at 31 March**	**(15,161)**

Financial Instruments Adjustment Account

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

2012/13 £000	Financial Instruments Adjustment Account	2013/14 £000
221	**Balance at 1 April**	**231**
10	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	(41)
231	**Balance at 31 March**	**190**

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 pay 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 Note 39 in respect of Defined Benefit Pension Scheme.

2012/13 Restated £000	Pensions Reserve	2013/14 £000
51,341	**Balance at 1 April**	**58,434**
5,336	Actuarial (gains) or losses on pensions assets and liabilities	748
5,457	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	6,244
(3,700)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,962)
58,434	**Balance at 31 March**	**61,464**

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 2013/14 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2012/13 £000	Collection Fund Adjustment Account	2013/14 £000
(62)	**Balance at 1 April**	**(97)**
(35)	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	2,864
(97)	**Balance at 31 March**	**2,767**

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.

2012/13 £000	Accumulating Compensated Absences Adjustment Account	2013/14 £000
319	**Balance at 1 April**	**323**
(319)	Settlement or cancellation of accrual made at the end of the preceding year	(323)
323	Amounts accrued at the end of the current year	311
323	**Balance at 31 March**	**311**

Note 24. Operating Activities

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

2012/13 £000		2013/14 £000
(445)	Interest Received	(242)
416	Interest Paid	440

Note 25. Investing Activities

2012/13 £000		2013/14 £000
(7,500)	Purchase of property, plant and equipment, investment property and intangible assets	(12,660)
(29)	Other payments for investing activities	(1,689)
1,114	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	965
5,413	Proceeds from short-term and long-term investments	4,276
2,275	Other receipts from investing activities	6,897
1,273	**Net cash flows from investing activities**	**(2,211)**

Note 26. Financing Activities

2012/13 £000		2013/14 £000
(103)	Other receipts from financing activities	(1,544)
0	Movement on long-term borrowing	1,368
1,500	Movement on short-term borrowing	171
1,397	**Net cash flows from financing activities**	**(5)**

Note 27. Amounts Reported for Resource Allocation Decisions

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 pension's 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).

In 2012/13 the Local Taxation Service figures were reported here because Council Tax Benefit Scheme income of £8.7m and expenditure of £9.1m was included in the cost of services. Council Tax Benefit has now been replaced by the local Council Tax Support scheme which is accounted for within the collection fund and not as service expenditure. As a result of this the 2013/14 table below does not report figures for Local Taxation.

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

2013/14	Environ-mental Services £000	Housing Services (Includes Housing Benefits) £000	Community Services £000	Direct costs recharged to services £000	Other expenditure £000	TOTAL £000
Fees, charges and other income	(1,667)	(1,795)	(7,137)	(308)	(5,007)	(15,914)
Government grants	(2)	(38,364)	(212)	(0)	(3,965)	(42,543)
Total income	**(1,669)**	**(40,159)**	**(7,349)**	**(308)**	**(8,972)**	**(58,457)**
Employee expenses	3,010	41	4,986	14,291	2,611	24,939
Other service expenses	1,561	38,898	3,180	3,755	2,700	50,094
Support service recharges	3,578	3,423	2,546	7,536	8,285	25,368
Total operating expenses	**8,149**	**42,362**	**10,712**	**25,582**	**13,596**	**100,401**
Recharges to other accounts	(460)	(91)	(19)	(26,320)	(212)	(27,102)
Net expenditure	**6,020**	**2,112**	**3,344**	**(1046)**	**4,412**	**14,842**

2012/13	Environ-mental Services £000	Housing Services (Includes Housing Benefits) £000	Local Taxation (Includes Council Tax Benefits) £000	Community Services £000	Direct costs recharged to services £000	Other expenditure £000	TOTAL £000
Fees, charges and other income	(1,582)	(1,291)	(387)	(6,546)	10	(4,120)	(13,916)
Government grants	(33)	(37,837)	(8,971)	(213)	(25)	(740)	(47,819)
Total income	**(1,615)**	**(39,128)**	**(9,358)**	**(6,759)**	**(15)**	**(4,860)**	**(61,735)**
Employee expenses	3,003	32	21	4,856	15,118	1,608	24,638
Other service expenses	1,829	37,525	8,315	2,938	4,001	2,690	57,298
Support service recharges	3,425	3,546	2,056	2,468	7,971	7,309	26,775
Total operating expenses	**8,257**	**41,103**	**10,392**	**10,262**	**27,090**	**11,607**	**108,711**
Recharges to other accounts	(280)	48	0	(2)	(28,334)	62	(28,506)
Net expenditure	**6,362**	**2,023**	**1,034**	**3,501**	**(1,259)**	**6,809**	**18,470**

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.

2012/13 £000		2013/14 £000
18,470	**Net expenditure in service analysis**	**14,842**
6,103	Amounts in the Comprehensive Income and Expenditure Statement not included in the service analysis of revenue expenditure for budget monitoring	13,950
(493)	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	(70)
24,080	**Net cost of services in Comprehensive Income and Expenditure Account**	**28,722**

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.

2013/14	Service Analysis £000	Not reported to management £000	Not included in cost of services £000	Net cost of services £000	Corporate amounts £000	TOTAL £000
Fees, charges and other income	(15,914	0	(55)	**(15,969)**	(974)	**(16,943)**
Income from Council Tax	0	0	0	**0**	(12,240)	**(12,240)**
Income from NDR	0	0	0	**0**	(21,566)	**(21,566)**
Income from Investment properties	0	0	0	**0**	(1,870)	**(1,870)**
Interest and investment income	0	0	0	**0**	(242)	**(242)**
Donated asset	0	0	0	**0**	(1,160	**(1,160)**
Government Grants and contributions	(42,543)	0	0	**(42,543)**	(11,081)	**(53,624)**
Total income	**(58,457)**	**0**	**(55)**	**(58,512)**	**(49,133)**	**(107,645)**
Employee expenses	24,939	0	0	**24,939**	(11)	**24928**
Other service expenses	50,094	0	(54)	**50,040**	124	**50,164**
Support service recharges	25,368	0	0	**25,368**	729	**26,097**
Recharges to other accounts	(27,102)	0	39	**(27,063)**	6	**(27,057)**
Depreciation and impairment	0	13,950	0	**13,950**	125	**14,075**
Interest payments	0	0	0	**0**	440	**440**
Pensions interest cost and expected return on pensions assets	0	0	0	**0**	2,621	**2,621**
Expenditure in relation to investment properties and changes in their fair value	0	0	0	**0**	(869)	**(869)**
Precepts and levies	0	0	0	**0**	5,388	**5,388**
NDR Payments to Other Local Authorities	0	0	0	**0**	18,124	**18,124**
Payments to housing capital receipts pool	0	0	0	**0**	1	**1**
Gain or loss on disposal of property, plant and equipment	0	0	0	**0**	(745)	**(745)**
Total operating expenses	**73,299**	**13,950**	**(15)**	**87,234**	**25,933**	**113,167**
(Surplus) or deficit on the provision of services	**14,842**	**13,950**	**(70)**	**28,722**	**(23,200)**	**5,522**

2012/13	Service Analysis £000	Not reported to management £000	Not included in cost of services £000	Net cost of services £000	Corporate amounts £000	TOTAL £000
Fees, charges and other income	(13,916)	0	186	**(13,730)**	(948)	**(14,678)**
Interest and investment income	0	0	0	**0**	(445)	**(445)**
Income from council tax	0	0	0	**0**	(12,533)	**(12,533)**
Government grants	(47,819)	0	0	**(47,819)**	(11,483)	**(59,302)**
Income from Investment properties	0	0	0	**0**	(1,785)	**(1,785)**
Total income	**(61,735)**	**0**	**186**	**(61,549)**	**(27,194)**	**(88,743)**
Employee expenses	24,638	0	0	**24,638**	1,951	**26,589**
Other service expenses	57,298	0	(27)	**57,271**	623	**57,894**
Support service recharges	26,775	0	0	**26,775**	628	**27,403**
Recharges to other accounts	(28,506)	0	(652)	**(29,158)**	19	**(29,139)**
Depreciation and impairment	0	0	6,103	**6,103**	1	**6,104**
Interest payments	0	0	0	**0**	416	**416**
Precepts and levies	0	0	0	**0**	5,083	**5,083**
Payments to housing capital receipts pool	0	0	0	**0**	9	**9**
Gain or loss on disposal of property, plant and equipment	0	0	0	**0**	18	**18**
Total operating expenses	**80,205**	**0**	**5,424**	**85,629**	**8,748**	**94,377**
(Surplus) or deficit on the provision of services	**18,470**	**0**	**5,610**	**24,080**	**(18,446)**	**5,634**

Note 28. Acquired and Discontinued Operations

There are no acquired or discontinued operations during 2013/14 (2012/13; nil).

Note 29. Trading Operations

From a local authority context, a trading operation is one where a Council is trading and taking operational risks and could, if the economic environment so dictated, expose the Council to a financial loss on the service provided. Considering this the following disclosure provides a more complete list of Council operations where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council, from other organisations or the general public.

2012/13 £000		2013/14 £000
	Trading Operations included in the Net Cost of Service	
	Car Parks The Council collects car parking income from both its own off-street car parks and from the on-street car parking operations that it operates, as an agent, for the Highways Authority. The income is generated from a mix of parking fees and excess parking charges. The Council operates 22 chargeable off-street car parks across the district and 3 on-street car parking areas in Huntingdon, St.Ives, and St Neots.	
(1,612)	Gross Income	(1,819)
969	Gross Expenditure	1,230
(643)	**(Surplus)/Deficit**	**(589)**
	Leisure Services The Council operates 5 leisure centres across the district; namely Huntingdon, St. Ives, St Neots, Sawtry and Ramsey. The facilities provided vary across the district but include amongst others; Swimming Pools, Sports Halls, Astro-Turf, Athletics Track, Gymnasium, Spar & Treatment facilities and Ten-Pin Bowling.	
(6,188)	Gross Income	(6,738)
8,547	Gross Expenditure	8,970
2,359	**(Surplus)/Deficit**	**2,232**
1,716	**Net (Surplus)/Deficit on Trading Operations included in Net Cost of Service**	**1,643**
	Trading Operations included in the Financing and Investment Income and Expenditure	
	Information Management Department: IT Software The Councils Information Technology Service develops and sells a number of IT software packages (e.g. SharePoint related products, including Resource Booking and a Project Management Toolkit) and IT support (e.g. Business Analysis Consultancy).	
(49)	Gross Income	(61)
35	Gross Expenditure	85
(14)	**(Surplus)/Deficit**	**24**

	Markets The Council operates 3 stall markets in the towns of Huntingdon, Ramsey and St. Ives. In addition to the general market days Huntingdon has a separate farmers market and St Ives a bank holiday market.	
(139)	Gross Income	(151)
102	Gross Expenditure	256
(37)	**(Surplus)/Deficit**	**105**
	Building Control The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement shows the total cost of operating the building control unit for chargeable activities.	
(370)	Gross Income	(406)
392	Gross Expenditure	343
22	**(Surplus)/Deficit**	**(63)**
	Printing The Council operates a Document Processing Centre that produces a range of documents for both internal and external customers. All external work is undertaken on a marginal cost basis (i.e. excluding recharges) and on this basis external work has made a contribution to the net cost of the service. However, statutory reporting requires full cost.	
(31)	Gross Income	(38)
38	Gross Expenditure	52
7	**(Surplus)/Deficit**	**14**
	Grounds Maintenance The Council's in-house Grounds Maintenance Team provides a wide range of services, primarily in respect of green spaces. However, the service also provides some services for external organisations, namely Luminus Housing Association and Cambridgeshire County Council.	
(225)	Gross Income	(214)
266	Gross Expenditure	172
41	**(Surplus)/Deficit**	**(42)**
	Commercial Waste The Council operates a waste collection service that is available to all businesses across the district. As this is a non-statutory service it is a chargeable activity.	
(96)	Gross Income	(98)
103	Gross Expenditure	58
7	**(Surplus)/Deficit**	**(40)**
26	**Net (Surplus)/Deficit on Trading Operations included in Financing and Investment Income and Expenditure**	**(2)**
1,742	**Net (Surplus)/Deficit on Trading Operations**	**1,641**

The above figures include non-cash adjustments; including IAS19 pensions and depreciation.

Note 30. Members' Allowances

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

2012/13 £000		2013/14 £000
365	Allowances	376
27	Expenses	34
392		**410**

Note 31. 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. Relevant pay information, including the Council's Pay Policy Statement and pay and reward for Senior Officers can be accessed from the following web address:

http://www.huntingdonshire.gov.uk/council-democracy/council-open-data-and-information/pay-expenses-and-senior-officer-structure/

2012/13	£		£	2013/14
15	50,000	but less than	55,000	14
1	55,000	but less than	60,000	3
2	60,000	but less than	65,000	0
1	65,000	but less than	70,000	3
2	70,000	but less than	75,000	1
3	75,000	but less than	80,000	2
1	80,000	but less than	85,000	2
0	85,000	but less than	90,000	1
0	90,000	but less than	95,000	1
0	95,000	but less than	100,000	1
1	120,000	but less than	125,000	0
1	175,000	but less than	180,000	0
1	240,000	but less than	245,000	0
28				**28**

Included in the banding table above are those Senior Officers who are separately disclosed in the following Remuneration of Senior Employees table.

Remuneration of Senior Employees

The remuneration of Senior Employees is shown in the table below.

2013/14 Post holder	Salary including allowances £	Election Fees (1) £	Salary including allowances and fees £	Benefits in kind (7) £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director (2)	98,026	104	**98,130**	0	**98,130**	17,367	**115,497**
Managing Director Communities, Partnerships and Projects (Malcolm Sharp) (3)	42,146	0	**42,146**	2,182	**44,328**	7,435	**51,763**
Managing Director, Resources (Terry Parker) (4)	2,972	0	**2,972**	0	**2,972**	496	**3,468**
Assistant Director (Finance and Resources) (5)	88,411	0	**88,411**	0	**88,411**	14,596	**103,007**
Assistant Director (Environment, Growth and Planning) (6)	82,142	0	**82,142**	2,030	**84,172**	13,884	**98,056**

Key – 2013/14

Note 1 The election fees do not include fees for General, European and County Council elections paid for by third parties.
Note 2 The Managing Director, started at the Council on 20 June 2013.
(annualised salary; excluding employer pension contributions is £125,000)
Note 3 The Managing Director, Communities, Partnerships and Projects left the Council on 31 July 2013, the post was deleted from the establishment at that point.
(annualised salary; excluding employer pension contributions is £125,000)
Note 4 The Managing Director, Resources left the Council on 8 April 2013. The post was deleted from the establishment at that point
(annualised salary, excluding employer pension contributions is £127,000)
Note 5 The Assistant Director (Finance and Resources) post was created on 1 March 2013 and was the Councils Responsible Financial Officer (RFO); the post holder left the Council on the 31 March 2014 and the post was deleted from the establishment at that point.
(annualised salary; excluding employer pension contributions for the Assistant Director (Finance and Resources) is £82,000).
As of the 1st April 2014, on an interim basis the RFO responsibility was allocated to the Accountancy Manager pending a permanent appointment to the new senior management structure. As of the 2 June 2014, the RFO responsibility has passed to the newly appointed Head of Resources
(annualised salary; excluding employer pension contributions for the Head of Resources is £66,500).
Note 6 The Assistant Director (Environment, Growth and Planning) post was created on 1 March 2013; the post holder will be leaving the Council on the 10 June 2014, and the post will be deleted from the establishment at that point.
(annualised salary; excluding employer pension contributions is £78,000).
Note 7 Benefits in Kind relating to Car Benefit.

2012/13 Post holder	Salary including allowances £	Election Fees (1) £	Termination costs (2) £	Salary including allowances and fees £	Bonus £	Benefits in kind £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director, Resources (Terry Parker) (3)	148,298	6,643	90,000	**244,941**	0	0	**244,941**	22,303	**267,244**
Managing Director, Communities, Partnerships and Projects (Malcolm Sharp) (4)	126,138	0	44,666	**170,804**	0	6,548	**177,352**	22,303	**199,655**
Assistant Director (Finance and Resources) (5)	73,708	0	47,000	**120,708**	0	1,840	**122,548**	1,216	**123,764**
Assistant Director (Environment, Growth and Planning) (6)	70,390	0	0	**70,390**	500	4,877	**75,767**	1,157	**76,924**

Key – 2012/13

Note 1 The election fees do not include fees for General, European and County Council elections paid for by third parties.

Note 2 Termination costs include amounts not yet paid but where the decision to terminate was made prior to the financial year-end.

Note 3 The Managing Director, Resources left the Council on 8 April 2013.
(annualised salary; excluding employer pension contributions is £125,000)

Note 4 The Managing Director, Communities, Partnerships and Projects left the Council on 31 July 2013.
(annualised salary; excluding employer pension contributions is £125,000)

Note 5 The Assistant Director (Finance and Resources) post was created on 1 March 2013; the post holder will be leaving the Council on the 31 March 2014.
(annualised salary, excluding employer pension contributions: £82,000)

Note 6 The Assistant Director (Environment, Growth and Planning) post was created on 1 March 2013.
(annualised salary; excluding employer pension contributions is £78,000)

Note 32. External Audit Related Costs

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

2012/13 £000		2013/14 £000
81	External audit	70
27	Grant claim certification	17
2	National Fraud Initiative	0
0	Audit Commission rebate	(10)
110		**77**

The £2,000 paid in 2012/13 for the NFI was paid to the Audit Commission.

Note 33. Grant Income

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

2012/13 £000		2013/14 £000
	Credited to taxation and non-specific income	
180	Revenue support grant	6,019
1,913	New Homes Bonus	2,940
0	Other Non Ringfenced Grants	703
9,293	Distributed non domestic rate pool	0
0	Donated Assets	1,160
11,386	**Total**	**10,822**
	Credited to Services	
	Benefits grant	
36,522	Rent allowances	36,979
8,348	Council tax benefits	296
939	Benefits administration	651
543	Improvement grants	557
0	Transportation Development	3,436
736	Other	482
47,088	**Total**	**42,401**

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:

2012/13 £000	Grants Receipts in Advance	2013/14 £000
	Government grants	
52	Mortgage Rescue Scheme	52
61	Preventing Repossessions	61
113		**113**

The Council has received some grants that have no conditions attached; they have been recognised as income but are held in the Capital Grants Unapplied Account pending their use to fund the relevant Capital Scheme. The balances at the year-end are as follows:

2012/13 £000	Capital Grants Unapplied Account	2013/14 £000
210	Government grant for housing	210
318	Contribution from Cambridgeshire County Council towards major maintenance projects at leisure centres	0
270	Community Infrastructure Levy	747
798		**957**

Note 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 27 on reporting resources allocation decisions and also in Notes 11 and 33 in respect of government grant.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 30. Some elected members are also members of other bodies, the most common being the County Council, Parish and Town Councils and Drainage Boards. In addition, the Council also nominates members to be its representative on various local and national organisations and also the Council provides some direct funding to local organisations.

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. With regard to transactions between the Council and Cambridgeshire County Council, for 2013/14, the Council has:

- paid £6.509m to Cambridgeshire County Council; £3.553m for pension payments and £2.957m for services (2012/13; £5.432m), and
- received £5.903m from the County Council (2012/13; £3.397m).

In respect of 2013/14:

- No officers have disclosed any significant interests.
- By 30 June 2014, of the 52 members who served during the year, 51 had returned a Related Party Transaction disclosure form, with one member sadly passing away before the forms were submitted. Following a comprehensive review of relevant statutory and voluntary disclosures and other "ad-hoc" information sources, only one member, Councillor Morris (as either an individual or family interest) has disclosed a related party with which there was a transaction requiring disclosure; this is shown below.

Councillor	**Organisation**	**Relationship with Organisation**	**Payments received from the Council**
Morris	King's Street Housing Society	Board Member	£301,151 (crash bed for homelessness)

With regard to this organisation, 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.

Note 35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR); a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

A net increase in the CFR 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.

2012/13 £000		2013/14 £000
21,853	**Opening Capital Financing Requirement**	**26,972**
5,650	Property, Plant and Equipment	7,537
582	Intangible Assets	524
2,027	Revenue Expenditure Funded from Capital under Statute	5,779
29	Repayable Advances	1,689
10	Lease Liability Adjustment	0
8,298	**Additional Requirement**	**15,529**
	Sources of finance	
(1,114)	Capital receipts	(965)
(1,183)	Grants and other contributions in year	(5,413)
0	Capital Grants Unapplied Reserve	(318)
(835)	Minimum revenue provision	(1,120)
(47)	S106 reserve	(0)
(3,179)		**(7,816)**
26,972	**Closing Capital Finance Requirement**	**34,685**
	Movements in year	
5,119	Increase in underlying need to borrowing (unsupported by government financial assistance)	7,713

Note 36. 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:

2012/13 £000		2013/14 £000
1,595	Investment Properties	**1,773**

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 remains outstanding. The minimum lease payments are made up of the following amounts:

2012/13 £000		2013/14 £000
	Finance lease liabilities (net present value of minimum lease payments)	
545	Non-current	545
3,066	Finance costs payable in future years	3,027
3,611	**Minimum lease payments**	**3,572**

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

	Minimum lease payments		Finance lease payments	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Not later than 1 year	39	39	0	0
Later than 1 year and not later than 5 years	156	156	0	0
Later than 5 years	3,416	3,377	545	545
	3,611	**3,572**	**545**	**545**

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 2013/14 £0.089m contingent rents were payable by the Council (2012/13; £0.101m).

- 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:

.

2012/13 £000		2013/14 £000
61	Not later than 1 year	61
70	Later than 1 year and not later than 5 years	70
41	Later than 5 years	41
172		**172**

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

2012/13 £000		2013/14 £000
100	Minimum lease payments	**66**

- 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 noted below.

2012/13 £000		2013/14 £000
1,784	Not later than 1 year	1,654
5,870	Later than 1 year and not later than 5 years	5,703
20,921	Later than 5 years	19,367
28,575		**26,724**

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.

Note 37. Impairment Losses

During 2013/14 the Council has recognised impairments to Property, Plant and Equipment of £5.038m (2012/13; £85,000).

Note 38. Termination Benefits and Exit Packages

Voluntary Redundancy:
In respect of:

- 2013/14, 4 voluntary redundancies were approved. All 4 left the Council in 2013/14.
- 2012/13, no voluntary redundancies were approved.

Compulsory Redundancy:
In respect of:

- 2013/14, the Council approved the compulsory redundancy of 11 employees; 4 employees leaving the Council during 2013/14 and a further 7 leaving during 2014/15.
- 2012/13, the Council approved the compulsory redundancy of 8 employees; 5 employees leaving the Council during 2012/13 and a further 3 leaving during 2013/14.

For both Voluntary and Compulsory Redundancy, the associated costs have been charged 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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £000	2013/14 £000
£0 to less than £20,000	5	3	0	2	5	5	28	42
£20,000 to less than £40,000	0	2	0	2	0	4	0	111
£40,000 to less than £60,000	2	2	0	0	2	2	97 *	91
£60,000 to less than £80,000	0	2	0	0	0	2	0	144
£80,000 to less than £100,000	1	1	0	0	1	1	99	84
£100,000 to less than £150,000	0	1	0	0	0	1	0	114
	8	11	0	4	8	15	224	586
	* This includes a provision of £47,000 that was paid in 2013/14, see Note 40.							

Note 39. Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

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.

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% be applied for 2011/12, 2012/13 and 2013/14. This 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 £0.451m for 2011/12, £0.456m for 2012/13, and £0.470m 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 £0.209m for 2011/12, £0.450m for 2012/13 and £0.669m for 2013/14.

As a consequence of the triennial valuation, the asset value in the intervening period is an estimate calculated by the actuary using a model. Any differences between the estimate and actual figures are adjusted at the next full valuation. A triennial review took place during 2013/14 and new rates will apply from 2014/15.

Transactions Relating to Post-Employment 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. The Council and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets. 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:

2012/13 Restated £000		2013/14 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
3,010	Current Service Cost	3,579
0	Past Service Cost	44
	Financing and Investment Income and Expenditure:	
6,345	Net interest expense	6,830
(3,898)	Expected Return on Scheme Assets	(4,209)
5,457	**Total post-employment benefit charged to the deficit on the provision of services**	**6,244**
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined benefit liability comprising:	
8,272	Return on plan assets (Excluding the amount included in the net interest expense)	2,943
0	Actuarial gains and losses arising on changes in demographic assumptions	2,862
(13,699)	Actuarial gains and losses arising on changes in financial assumptions	(7,387)
91	Other experience	834
(5,336)		(748)
121	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**5,496**
	Movement in Reserves Statement	
(5,457)	Reversal of net charges made to the surplus deficit on the provision of services for post-employment benefits in accordance with the Code	(6,244)
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
3,511	Employer’s contributions payable to the scheme	3,767
189	Retirement benefits payable to pensioners*	195
(1,757)	**Total Movement in Reserves Statement**	**(2,282)**

Changes to IAS19 came into effect in 2013/14 and these are adopted retrospectively for 2012/13 in accordance with IAS8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The effect of these changes to the Income statement to 31st March 2013 is to re-classify and move £0.649m on expected return on scheme assets to actuarial gains/losses on plan assets.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is a loss of £53.634m, and to the 31 March 2013 is a loss of £52.237m.

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 2013 Restated £000		31 March 2014 £000
132,435	**Opening balance as at 1 April**	**151,909**
3,010	Current Service Cost	3,579
6,345	Interest Cost	6,830
951	Contributions by scheme participants	947
0	Actuarial losses / (gains) from changes in demographic	(2,862)
13,699	Actuarial losses / (gains) from changes in financial assumptions	7,387
(91)	Other	(834)
0	Past service costs	44
(4,251)	Benefits paid	(4,445)
(189)	Estimated unfunded benefits paid *	(195)
151,909	**Closing balance at 31 March**	**162,360**

* 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 2013 Restated £000		31 March 2014 £000
81,094	**Opening fair value of scheme assets balance as at 1 April**	**93,475**
3,898	Interest Income	4,209
8,272	The return on plan assets (Excluding amount included in net in the net interest expense)	2,943
3,511	Contributions by the employer	3,767
951	Contributions by employees into the scheme	947
189	Contributions for unfunded benefits*	195
(4,251)	Benefits paid	(4,445)
(189)	Unfunded benefits paid*	(195)
93,475	**Closing Balance at 31 March**	**100,896**

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

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 £7.152m (2012/13; £12.170m).

Scheme History

2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000		2013/14 £000
(146,133)	(123,552)	(132,435)	(151,909)	Present value of liabilities	(162,360)
78,086	82,115	81,094	93,475	Fair value of assets	100,896
(68,047)	**(41,437)**	**(51,341)**	**(58,434)**	**Deficit in the scheme**	**(61,464)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £162.360m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £61.464m. However the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The Council expects to contribute £3.403m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2015. With regard to discretionary benefits, there were no such awards in 2013/14 (2012/13; Nil).

Basis for estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, 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 2013. The results of this valuation were projected forward using approximate methods.

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

2012/13	County Fund – Main Assumptions	2013/14
5.1%	Rate of increase in salaries	4.6%
2.8%	Rate of increase in pensions	2.8%
4.5%	Rate of discounting scheme liabilities	4.3%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
21.0 years	Men	22.5 years
23.8 years	Women	24.5 years
	Longevity at 65 for future pensioners	
22.9 years	Men	24.4 years
25.7 years	Women	26.9 years
	Long-term expected rate of return on assets in the Scheme:	
4.5%	Equity Investments	4.3%
4.5%	Bonds	4.3%
4.5%	Property	4.3%
4.5%	Cash	4.3%

Local Government Pension Scheme Assets Comprised:

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

31 March 2013 £000		31 March 2014 £000
2,242	Cash and cash equivalents	1,345
	Equity instruments by industry:	
8,769	Consumer	8,810
7,532	Manufacturing	8,327
3,236	Energy and utilities	3,575
7,718	Financial institutions	10,179
2,651	Health and care	2,975
4,731	Information technology	6,033
349	Other	280
34,986	Sub-total equity	40,179
	Private equity:	
6,427	All not in active markets	6,002
6,427	Sub-total private equity	6,002
	Other investment funds:	
11,070	Bonds	15,380
32,158	Equity	32,442
6,592	Other	5,548
49,820	Sub-total other investment funds	53,370
93,475	**Total Assets**	**100,896**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2013/14 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2014.

2009/10	2010/11	2011/12	2012/13	2012/13 Restated		2013/14
19.57%	(2.17%)	(6.39%)	8.16%	8.85%	Differences between expected and actual return on assets	2.92%
0.36%	(1.54%)	(1.10%)	0.06%	0.06%	Experience gains/ losses (-) on liabilities	0.51%

Assumptions from 2009/10 to 2011/12 have not been restated since updated assumptions were not obtained from the Scheme Valuer.

Sensitivity analysis:

Increase in assumption 31 March 2013 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2014 £000
4,557	Longevity (increase or decrease in 1 year)	4,871
4,288	Rate of increase in salaries (increase or decrease by 0.5%)	5,210
10,651	Rate of increase in pensions (increase or decrease by 0.5%)	10,519
(15,152)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(15,961)

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.

Note 40. Provisions, Contingent Assets and Liabilities

Provision

			Short Term Provision		Total
	MMI Insurance Claw back (1) £000	Termination Benefits (2) £000	NDR Appeals (3) £000	Enterprise Zone Retained NDR £000	£000
Balance at 1 April 2012	**0**	**0**	**0**	**0**	**0**
Balance at 31 March 2013	**90**	**47**	**0**	**0**	**137**
Amounts used in 2013/14	(90)	(47)	0	0	**(137)**
Amounts charged to services 2013/14	0	0	2,054	79	**2,133**
Balance at 31 March 2014	**0**	**0**	**2,054**	**79**	**2,133**

Short Term Provision

Where an obligating event is expected to occur within the next 12 months.

1. **MMI Insurance Claw back**
The Council was, some years ago, insured by Municipal Mutual Insurance (MMI); unfortunately whilst the Council was insured by MMI they went into liquidation. Following the collapse of MMI, a Scheme of Arrangement was made that allowed MMI to 'run-off' the business and deal with outstanding claims. Due to increasing numbers of liability claims that MMI continued to receive, MMI pursed the matter of their continuing liability through the Courts. The Supreme Court gave judgement in March 2012. This clarified MMI's position in respect of future claims and led ultimately to increasing liabilities for MMI. The Council's Insurance Brokers informed the Council that following a February 2013 creditors meeting, the Scheme of Arrangement was likely to be enforced and in January 2014 a levy was charged against the Council, totalling £90,206, which represents 15% of the total claims paid by MMI on behalf of the Council since 1993 (£0.601m). The balance of the total possible liability faced by the Council is noted as a Contingent Liability

2. Termination Benefits
Provision was made to meet the costs of known staff rationalisation associated with change management within the Council over the medium term; this was paid in March 2014.

3. NDR Appeals
The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of individual estimates for the outcome of each outstanding appeal rather than a mean estimate for all appeals. The appeals provision was based on a review by expert opinion from “inform CPI Limited”. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by the Safety Net calculation (the calculation of which is limited by regulation). The provision of £2.054m included in the General Fund is the authorities share (40%) of the total provision of the Collection Fund provision of £5.135m.

A 10% variation in the estimated provision would be £0.205m for the General Fund.

It should be noted that no adjustment, or other disclosure, has been made in respect of NDR Appeals that have yet to be lodged by local businesses.

4. Enterprise Zone Retained NDR
The Council retains the Non Domestic Rates (NDR) income arising from increases in the rateable value of premises within the Alconbury Weald Enterprise Zone; however there is a requirement to apply this retention to the Local Enterprise Partnership. As no formal request to draw down this retention had been made by the Local Enterprise Partnership as at 31 March 2014, a provision for this liability has been recognised.

Contingent Assets

Previously the Council has disclosed a Contingent Asset in respect of a refund for VAT relating to off-street parking. However, whilst legal cases have not totally removed the possibility of a refund the position is now much less hopeful so the Contingent Asset is no longer to be disclosed (2012/13; £2.431m).

Contingent Liabilities

The Councils’ Contingent Liabilities cover various on-going litigations and these are detailed below. The total expected value of these liabilities is £4.625m (2012/13; £5.811m).

2012/13 Estimated value of contingent liability £000	Details of Contingent Liability	2013/14 Estimated value of contingent liability £000
	Environmental Related:	
172	**Local Land Charges** Huntingdonshire District Council is a joint defendant in proceedings brought by a group of Property Search Companies against all Councils responsible for providing Local land charges information, for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £14,140 plus interest and costs. Negotiations are ongoing with the claimants' solicitor. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £157,600 plus interest and costs, although this claim has neither been verified nor accepted by the Council. The second group of Property Search Companies have also intimated that they may bring a claim against all local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.	186
4,500	**Contaminated Land** 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. If the planning application made to the County Council is approved, this will reduce the probability of abandonment and the likelihood of the Council becoming liable will reduce considerably. However, at this time there is a possibility that the Council could be liable if the site is abandoned. Current estimates are that the cost of leachate treatment would cost £115,000 per annum for a maximum of 30 years; therefore the maximum liability is £3.450m (£150,000 per annum in 2012/13).	3,450

4,672	**Total for Environmental Related**	**3,636**
	Housing Related:	
372	**Disabled Facilities Grants** The Council has agreed to pay disabled facilities grants; however, as yet the schemes have not yet started. The expense will only be incurred if the householders carry out the home alterations. The increase is due to a higher amount estimated to be outstanding at the year-end compared to 2012/13.	458
96	**VAT on Administration Charge for Disabled Facilities Grants** The Council has challenged HMRC in respect of the VAT liability on administration charges for disabled facilities grants. HMRC consider the fee should attract VAT at the standard rate whereas the Council, along with other Councils, consider that there is no supply and therefore VAT is not chargeable. This liability was met during the year.	0
468	**Total for Housing Related**	**458**
	Corporate Related	
511	**Municipal Mutual Insurance Liquidation** A detailed description is shown in the Provision explanation in respect of the MMI Insurance Claw back. The Contingent Liability shown for 2013/14 is the balance of the total claims paid by MMI on behalf of the Council less the amount shown as a short-term Provision.	511
20	**Assets of Community Value** In 2013/14, the Council has listed 4 sites owned by private individuals or companies as Assets of Community Value, as required by the Localism Act 2011. The Assets of Community Value scheme includes provisions for owners to claim compensation for loss and expense incurred through the asset being listed or previously listed. All claims must be considered and decisions may be subject to a review and an independent appeal. The Council is liable for all compensation payments awarded up to a maximum of £20,000 in each financial year.	20
140	**Employee Litigation** The Council has some pending employment tribunals; the amount shown is the estimated total liability.	0

671	**Total for Corporate Related**	**531**
5,811	**Total for Contingent Liabilities**	**4,625**

The above litigations are prudent estimates of the potential cost to the Council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

Note 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 £23.340m (2012/13; £25.770m) 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 2014 that this was likely to occur and there are no investments, that as at 31 March 2014, 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 2014 £000	Historical experience of default %	Historical experience of default adjusted for market conditions %	Impairment allowance 31 March 2014 £000	Impairment allowance 31 March 2013 £000
Sundry debtors	2,603	4.72%	4.72%	1,337	1,439

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

31/03/13 £000		31/03/14 £000
753	Less than three months	268
227	Three to six months	227
272	Six months to one year	795
1,691	More than one year	1,313
2,943		**2,603**

Liquidity risk

The Council maintains a cash flow projection that assists in ensuring that cash is available as needed. If unexpected movement happens 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 use the PWLB for short-term cash-flow deficits. There is no significant risk 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 of which £1.4m matures in August 2023 and £5m each in December 2057 and 2058. Therefore there is no immediate concern about funding the repayment.

31/03/13 £000		31/03/14 £000
6,111	Less than one year	6,282
10,000	More than one year	11,368
16,111		**17,650**

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 or 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 or 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 2013/14 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	105cr
Impact on the surplus on the Provision of Services	105cr
Increase in the fair value of fixed rate investments	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings (No impact on the Comprehensive Income and Expenditure Statement)	2,195

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 equity shares and does not hold foreign currency; consequently these risks are not applicable.

Note 42. Prior Period Accounting Adjustments

As a consequence of the change in Accounting Policy in respect of IAS19: Employee Benefits, whereby accounting regulations now require administration costs to be directly related to the management of pension assets, there is a requirement to restate the 2012/13 comparatives within the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement; the transition disclosures are shown below:

Restatement of 2013/14 Comparative

Comprehensive Income and Expenditure Statement

Published AFR 2012/13				Restatement adjustments		Restated AFR 2012/13		
				IAS 19				
Gross Expenditure	Gross Income	Net Expenditure			Gross Income	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000	£000
85,629	**(61,549)**	**24,080**	**Cost of Services (note 27)**			**85,629**	**(61,549)**	**24,080**
5,110	0	5,110	Other Operating Expenditure (Note 9)		0	5,110	0	5,110
3,638	(3,178)	460	Financing and Investment Income and Expenditure (Note 10)	Reclassification between return on assets and actuarial gain /loss	649	3,638	(2,529)	1,109
0	(24,016)	(24,016)	Taxation and Non-specific Grant Income (Note 11)		0		(24,016)	(24,016)
94,377	**(88,743)**	**5,634**	**(Surplus)/Deficit on provision of services**		**649**	**94,377**	**(88,094)**	**6,283**
		113	(Surplus) or deficit in the revaluation of non-current assets (Note 27)		**0**			113
		5,985	Actuarial losses/(gains) on pension assets and liabilities (Note 39)	Reclassification between return on assets and actuarial gain /loss	(649)			5,336
		6,098	**Other comprehensive income and expenditure**		**(649)**			**5,449**
		11,732	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**		**0**			**11,732**

Movement in Reserves Statement													
	Published AFR 2012/13			Restatement adjustments							Restated AFR 2012/13		
				IAS 19: Surplus/(Deficit) on provision of services		IAS 19: Other comprehensive income and expenditure		IAS 19: Note 7: Adjustments Between Accounting Basis and Funding Basis Under Regulations					
	Total Useable Reserves	Unusable Reserves	TOTAL COUNCIL RESERVES	Comment/Reason for adjustment		Comment/Reason for adjustment		Comment/Reason for adjustment	General Fund Adjustment	Movement in Unusable Reserves	Total Useable Reserves	Unusable Reserves	TOTAL COUNCIL RESERVES
	£000	£000	£000		£000		£000		£000	£000	£000	£000	£000
Balance as at 31 March 2012	**18,675**	**2,808**	**21,483**								**18,675**	**2,808**	**21,483**
Surplus/(Deficit) on provision of services	(5,634)	0	(5,634)	Reclassification between return on assets and actuarial gain /loss as IAS19	(649)		0		0	0	(6,283)	0	(6,283)
Other Comprehensive income & expenditure	0	(6,098)	(6,098)		0	Reclassification between return on assets and actuarial gain /loss as IAS19	649		0	0	0	(5,449)	(5,449)
Total comprehensive income	**(5,634)**	**(6,098)**	**(11,732)**		**(649)**		**649**		**0**	**0**	**(6,283)**	**(5,449)**	**(11,732)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,195	(5,195)	0		0		0	Reclassification between return on assets and actuarial gain /loss as IAS19	649	(649)	5,844	(5,844)	0
Net increase/(decrease)	**(439)**	**(11,293)**	**(11,732)**		**(649)**		**649**		**649**	**(649)**	**(439)**	**(11,293)**	**(11,732)**
Transfers to/from earmarked	(47)	47	0		0		0		0	0	(47)	47	0
Increase/(Decrease) in Year	**(486)**	**(11,246)**	**(11,732)**		**(649)**		**649**		**649**	**(649)**	**(486)**	**(11,246)**	**(11,732)**
Balance as at 31 March 2012	**18,189**	**(8,438)**	**9,751**		**(649)**		**649**		**649**	**(649)**	**18,189**	**(8,438)**	**9,751**

It should be noted that there:

- is no change in the net Balance Sheet position, so no disclosure is required in respect of the Balance Sheet.
- are consequential adjustments within disclosure notes 7, 10, 23 and 39.

Collection Fund

Non-Domestic Rates 2012/13 £000	Council Tax 2012/13 £000	TOTAL 2012/13 £000		Non-Domestic Rates 2013/14 £000	Council Tax 2013/14 £000	TOTAL 2013/14 £000
			INCOME			
0	(92,090)	(92,090)	Council Tax Receivable	0	(88,721)	(88,721)
(54,359)	0	(54,359)	Non Domestic Rates Receivable	(55,343)	0	(55,343)
0	0	0	Enterprise Zone Relief	(512)	0	(512)
0	0	0	Transitional Relief	(71)	0	(71)
(54,359)	**(92,090)**	**(146,449)**	**Total Income**	**(55,926)**	**(88,721)**	**(144,647)**
			EXPENDITURE			
			Repay Previous Years Surplus			
0	63	63	District Council - General	0	76	76
0	330	330	County Council	0	404	404
0	54	54	Police	0	64	64
0	18	18	Fire	0	14	14
0	465	465		0	558	558
			Precepts Demands and Shares			
54,136	0	54,136	Central Government	28,674	0	28,674
0	7,727	7,727	District Council - General	23,422	7,506	30,928
0	4,708	4,708	District Council - Parishes	0	4,649	4,649
0	0	0	District Council - Retained Amounts	270	0	270
0	64,854	64,854	County Council	5,270	61,997	67,267
0	10,492	10,492	Police	0	10,028	10,028
0	3,566	3,566	Fire	586	3,622	4,208
54,136	91,347	145,483		58,222	87,802	146,024
			Charges to Collection Fund			
0	76	76	Less Write Off Uncollectable Amounts	262	289	551
0	(57)	(57)	Less Increase / Decrease (-) in Bad Debt Provision	(69)	12	(57)
0	0	0	Less Increase / Decrease (-) in Provision for Appeals	5,135	0	5,135
223	0	223	Less Cost of Collection	221	0	221
223	19	242		5,549	301	5,850
54,359	**91,831**	**146,190**	**Total Expenditure**	**63,771**	**88,661**	**152,432**
			Movement in Fund Balance			
0	**(259)**	**(259)**	**(Surplus) or Deficit For Year**	**7,845**	**(60)**	**7,785**
0	(454)	(454)	(Surplus) or Deficit Brought Forward 1 April	0	(713)	(713)
0	**(713)**	**(713)**	**(Surplus) or Deficit Carried Forward 31 March**	**7,845**	**(773)**	**7,072**

Notes to the Collection Fund

1. Purpose of Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

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.

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 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.

2. Localisation of Non Domestic Rates

On 1 April 2013 the national scheme for collecting non domestic rates was localised.

Under the previous national scheme all income and charges to the fund were pooled by central government for redistribution. The amount the authorities received was determined before the start of the year with any variations to income and charges to the fund being shared as part of subsequent years allocations from the pool.

Under the localised scheme income and charges to the fund are shared locally in fixed proportions. Any surplus or deficit will be recovered from the local participants in subsequent years in the same proportions. The Comprehensive Income and Expenditure Statement (or equivalent) for each party will need to reflect their share of the surplus or deficit for the year. This is then adjusted through the Movement in Reserves Statement to arrive at the share of non-domestic rates expected at the start of the year.

The format of the statement has been amended to reflect the localisation of non-domestic rates and revised reporting requirements. Although the 2012/13 figures have been represented in the amended format the opening and closing balances for the year, and movement in the year are unchanged.

3. Council Tax

Tax base at 31 March 2014 Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	11,417	(2,057)	6/9	6,240
B	19,334	(2,309)	7/9	13,243
C	17,487	(1,603)	8/9	14,119
D	11,553	(910)	9/9	10,643
E	8,684	(683)	11/9	9,779
F	3,582	(265)	13/9	4,791
G	1,697	(124)	15/9	2,622
H	160	(24)	18/9	272
Total	**73,914**	**(7,975)**		**61,709**

Council tax charge per band D property for 2013/14 £1,557.92
Council tax charge per band D property for 2012/13 £1,519.28

4. Non Domestic Rates (NDR)

The uniform business rate set by the Government for 2013/14 was 46.2p (2012/13 45.8p).

Total rateable value at 31 March 2014 £140.8m
Total rateable value at 31 March 2013 £141.4m

5. Non Domestic Rates Appeals

The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of individual estimates for the outcome of each outstanding appeal rather than a mean estimate for all appeals. The appeals provision was based on a review by expert opinion from “inform CPI Limited”. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by the Safety Net calculation (the calculation of which is limited by regulation).

A 10% variation in the estimated provision would be £0.513m for the Collection Fund.

It should be noted that no adjustment, or other disclosure, has been made in respect of NDR Appeals that have yet to be lodged by local businesses.

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS

Accrual
The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

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.

Balance
Unallocated reserves held to resource unpredictable expenditure demands.

Business Improvement District
A levy on local business to provide funding to develop the immediate area covered by the levy. The levy is agreed by majority vote.

Capital Charges
Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

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 Financing Charges
The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

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.

Community Infrastructure Levy
An amount payable by developers (commercial and domestic) in respect of new buildings created within the District. The Levy must be used to provide infrastructure; decisions on which are taken by District and Parish Councils.

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.

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
A 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.

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.

Non Domestic Rates
Rates which are levied on business properties. From 1st April 2013, as a consequence of The Local government Finance Act 2012, a local Non Domestic Rating regime was introduced that included the business rates retention scheme. See also **Tariff** and **Safety Net**.

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 council, 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.

Provisions
Monies set aside for liabilities or losses which are likely to be incurred but where the exact amounts or dates on which they will arrive are uncertain.

Reclassification
Where comparative (prior year) figures are reclassified into new categories of income or expenditure, and the change has not been the result of a material error or accounting policy but the amount is “material” then this is a reclassification.

Responsible Financial Officer
The designated post within the Council, as determined by the Accounts and Audit Regulations 2011, which holds the statutory S.151 responsibility (Local Government Act 1972). This responsibility is in respect of ensuring the proper administration of the Council’s financial affairs. This post was formerly known as Chief Financial Officer.

Restated
Where there has been a material error in the accounts or a new accounting policy has been applied, then the comparative (prior year) figures have to be “restated” as if the correction or policy had been in place as at the end of the previous financial year.

Revenue Expenditure Funded from Capital under Statute
Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

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 Expenditure
Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Revenue Support Grant
A grant from Central Government towards the cost of providing services.

Safety Net
The scheme for localising Non Domestic Rates (NDR) includes a safety net provision. Where the actual NDR after Tariff is less than 92.5% of the funding baseline, Central Government makes a safety net payment to the Council equal to the difference between the actual NDR and the funding baseline.

Section 106
Under planning regulations developers can be requested to make contributions to on and off-site facilities required as a result of their development.

Tariff
The scheme for localising Non Domestic Rates (NDR) includes baselines for both the amount of NDR the Council receives and the amount of Council funding from NDR. The Council pays Central Government a Tariff equal to the difference between the two baselines.

True and Fair View Override
As required by the Accounts and Audit Regulations 2011, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the Council. However, as a consequence of IFRS, this has introduced the principle of the "true and fair view override". This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the Council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the "true and fair view" is appropriately acknowledged in the notes to the accounts.

ABBREVIATIONS

AVC	Additional Voluntary Contributions
BID	Business Improvement District
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPFA	Chartered Public Finance Accountant

CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
DHC	Depreciated historical cost
DMO	Debt Management Office
DRC	Depreciated replacement cost
EUV	Existing Use Value
FMV	Fair Market Value
FTE	Full Time Equivalent
HMRC	HM Revenue & Customs
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
LGPS	Local Government Pension Scheme
LLPG	Local Land and Property Gazetteer (UK)
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
NBV	Net Book Value
NDR	Non Domestic Rates
NNDR	National Non Domestic Rates (Business Rates)
NPV	Net Present Value
PPE	Property, Plant and Equipment
PWLB	Public Works Loans Board

RCCO Revenue Contribution to Capital Outlay (also known as Direct Revenue Financing)

REFCUS Revenue Expenditure Funded from Capital Under Statute

RICS Royal Institution of Chartered Surveyors

RPI Retail Price Index

RSG Revenue Support Grant

RSL Registered Social Landlord

S106 Section 106

SIC Standing Interpretations Committee

SOCITM Society of Information Technology Management

SOLACE Society of Local Authority Chief Executives

SSAP Statement of Standard Accounting Practice

UK GAAP UK General Accepted Accounting Practice

Key to Photographs

<u>Front Cover</u>
(top to bottom)

Bridge over River Ouse linking Huntingdon to Godmanchester
Bridge over River Ouse in St Ives
Ramsey War Memorial
Riverside Park, St Neots

<u>Back Cover</u>
(top to bottom)

Boat on the River Ouse from the bridge in St Ives
Left: Clock Tower in Warboys
Right: Statue of Oliver Cromwell in St Ives
Ruins of Ramsey Abbey Gatehouse
Sunset at Grafham Water