

**EAST CAMBRIDGESHIRE DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2008/2009**

	<b>Page</b>
Contents	1
Explanatory Foreward	2
Statement of Accounting Policies	5
Statement of responsibilities for the Statement of Accounts	11
Annual Governance Statement	12
Auditor's Report	21
<b>'Core' Financial Statements:</b>	
Income & Expenditure Account	23
Statement of Movement on the General Fund Balance	24
STRGL	26
Balance Sheet	27
Cash Flow Statement	28
Notes to the 'Core' Financial Statements	29
<b>Supplementary Financial Statements:</b>	
Collection Fund Accounts	50
Notes to the Collection Fund Accounts	51
Group Accounts	52
Glossary of Terms	57

## EXPLANATORY FOREWORD

The statements of accounts which follow show the financial out-turn for the year ended 31 March 2009. The accounting statements have been prepared in accordance with the current Code of Practice on Local Authority Accounting in Great Britain. This Statement of Recommended Practice ("SORP") takes account of the relevant legislation and constitutes a proper accounting practice under the terms of the Local Government Act 2003.

The pages which follow include

- ◆ **The Income & Expenditure Account (Page 19)**  
The Income & Expenditure Account shows, in summarised form, the General Fund income and expenditure relating to the ongoing provision of public services by the Council.
  
- ◆ **The Statement of Movement on the General Fund Balance (Page 20)**  
The Statement of Movement on the General Fund Balance summarises the differences between outturn on the Income & Expenditure Account and the General Fund Balance.
  
- ◆ **The Statement of Total Recognised Gains and Losses (Page 22)**  
The Statement of Total Recognised Gains and Losses brings together all the gains and losses and shows the aggregate change in net worth. It includes changes relating to revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.
  
- ◆ **The Balance Sheet (Page 23)**  
The Balance Sheet shows the overall financial position of the Council at the year end, including the balance of the Collection Fund.
  
- ◆ **The Cash Flow Statement (Page 24)**  
This statement is intended to be an aid to the better understanding of the accounts by showing a summary of the inflows and outflows of cash arising from transactions with outside parties for both revenue and capital purposes.
  
- ◆ **The Collection Fund Accounts (Page 46)**  
These accounts show the amounts due from Council Taxpayers and from National Non-Domestic Ratepayers, the demands of the national non-domestic rating pool, the County Council, the Cambridgeshire Police Authority, Cambridgeshire Fire and Rescue and East Cambridgeshire District Council on the Fund, and related matters. Parish Councils' precepts are a charge to the General Fund.
  
- ◆ **The Group Accounts (Page 48)**  
These consolidate the Council's Accounts with those of its subsidiary to give a more complete picture of the authority's control over other entities.

### **Summary of the 2008/09 Financial Year**

There were no major policy changes during the financial year 2008/09.

During the year, the Council repaid £1m short term borrowing on 1 April 2008 and £1m long term borrowing in January 2009 which would have been repayable in 2057.

The Council has undertaken an impairment review of its assets due to the worldwide economic downturn.

Also investment interest has been reduced due to the fall in interest rates.

## EXPLANATORY FOREWORD continued

### General Fund Services

The net revenue expenditure of the Council for 2008/2009 excluding parish council precepts was originally estimated at £10,151,920. The revised budget was £10,407,420.

This compares to the actual net expenditure for the year of £10,730,170, an overspend compared to the budget of £322,750.

This overspend is attributed to the following:

	£'000	Note
External Audit Grant Claims	(18)	
Area based grant	22	
Asset Management Programme	(200)	1
Community Projects & Grants	20	
Concessionary fares	210	2
Env Health	(27)	
Land Charges Income & Admin	(145)	3
Legal services	(25)	
Maltings	(58)	
Net additional bad debt provision	(58)	
Office services	(44)	
Planning Consultants	(15)	
Reduction in rent income	(27)	
Refuse/Recycling	35	
Other savings	8	
Total overspend	-322	

### Note

1) The Asset Management budget was overspent as above due to key expenditure which included The Grange (including the basement) £81k, Cambs Business Park £31k, Ely Horticultural Society £28k, Emergency Planning £15k, annual valuations £11k, Car Park maintenance £9k, St Catherine's £9k and Oliver Cromwell House £8k. Given these outturn figures and the breadth of projects within the program, there is a requirement to review the adequacy of the current financial provision.

2) The budget for the national concessionary fares scheme for the elderly and disabled was drafted to provide for all the additional resource allocated to the Council through the Revenue Support Grant Settlement adjustment plus the additional specific grant allocated for 2008/09 and beyond. This has represented an over provision in financial terms, against the costs of providing the concession. Discussions are underway to consider funding alternative forms of provision ranging from expanded dial-a-ride services to subsidised taxi services. The options to provide funding for additional provision above the statutory scheme, however, will need to be considered against the strong possibility of the statutory function (and grant) being transferred to upper tier authorities in 2011/12.

3) Due to a decline in income generally but having a greater impact than expected.

### Sources of Income

	Budget	Actual	Variance
	£'000	£'000	£'000
Government Grants	22,495	23,352	857
Other Grants/Reimbursements	2,378	2,702	324
Sales, Fees & Charges	1,707	1,633	-74
Local Taxpayers	4,839	4,839	0
Other Income	1,511	1,575	64
Total Income	32,930	34,101	1,171

Government grants were higher than anticipated due to the increased payments of Housing/Council Tax benefits.

Other grants/reimbursements, such as Housing Growth Fund have been received to cover additional schemes/projects.

### Reserves

Total usable reserves on General fund stood at £1,626,263 at 1 April 2008 and it was anticipated at probable out-turn stage that these would decrease to £1,397,263 at 31 March 2009, a decrease of £229,000. However, following the overspend referred to earlier, actual usable reserves as at 31 March 2009 now stand at £1,074,513. This is a decrease of £551,750 in the year.

## EXPLANATORY FOREWORD continued

### **Capital Expenditure**

Capital spending amounted to £2,004,000 which was an overspend of £105,000 compared to the approved programme of £1,899,000.

The capital programme was financed from Government Grants £1,014,000, General Fund £652,000, and Useable capital receipts £338,000

	2008/2009 Budget	2008/2009 Actual exp	2008/2009 Under/(overspend)
<b>Housing</b>			
Grants to enable the disabled to remain in their home	480	520	-40
Grants to Renovate Housing / Mortgage Advances	252	229	23
<b>Environmental Improvements</b>			
Historic Building Grants	3	0	3
Town/Village Centre Enhancements	31	33	-2
Local Environmental Improvements	753	783	-30
<b>Transport &amp; Parking Schemes</b>	124	66	58
<b>Information and Communication Technology</b>	138	45	93
<b>Other Schemes</b>			
Business Incentive Schemes	65	0	65
Asset Management Programme	53	328	-275
	1,899	2,004	-105
<b>Funded by</b>			
Government Grants and other contributions	-1,014	-1,014	0
General Fund	-652	-652	0
Useable Capital Receipts	-233	-338	105
	(1,899)	(2,004)	105

The variances are mainly due to slippage in programmes and the overspend on asset management was mainly due to expenditure on the Maltings being charged to capital instead of revenue and funded from additional useable receipts.

### **Pensions Liabilities**

Pension Liabilities are valued on an actuarial basis using the projected unit method which assesses the future payments that will be made in relation to retirement benefits earned to date by employees discounted to their present value.

The Liability of £9,189,000 is included in the Balance Sheet. This liability has no impact on the level of the Council's available reserves.

### **Collection Fund Balance**

In previous years the total balance on the Collection Fund has been shown in the bottom half of the Balance Sheet. This balance has now been split between the relevant authorities and the debtor/creditor is included on the Balance Sheet for the external authorities and the figure for this Council is shown alongside the General Fund Balance. The comparative figures for 2007/2008 have also been amended in this way.

## STATEMENT OF ACCOUNTING POLICIES

<b>General</b>	<p>The form and general principles adopted in compiling the accounts are substantially as recommended by the Chartered Institute of Public Finance and Accountancy. Except where otherwise noted, they follow the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP 2008). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.</p> <p>The Council is required as part of the SORP 2008 to produce financial statements in accordance with the Best Value Accounting Code of practice (BVACOP). This requires service expenditure analysis shown on the face of the Income &amp; Expenditure Account to reflect the BVACOP categories.</p>
<b>Accruals of Income &amp; Expenditure</b>	<p>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:</p> <ul style="list-style-type: none"><li>◆ Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.</li><li>◆ 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 stocks on the Balance Sheet.</li><li>◆ Works are charged as expenditure when they are completed, before which they are as works in progress on the Balance Sheet.</li><li>◆ Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.</li><li>◆ Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.</li><li>◆ Employee costs are included in the year that they are earned.</li></ul>
<b>Provisions</b>	<p>Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that would eventually result in the making of a settlement or the payment of compensation.</p> <p>Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.</p> <p>Where some or all of the payment required to settle a provision is expected to be met by another party (eg from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.</p>
<b>Reserves</b>	<p>The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.</p> <p>Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies below.</p> <p>Details of reserves and provisions are shown in the notes to the Core Accounts. See Note 24</p>
<b>Revaluation Reserve</b>	<p>The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.</p>

## STATEMENT OF ACCOUNTING POLICIES continued

### Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

### Retirement Benefits

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme operated by Cambridgeshire County Council for those employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. These costs have been determined on the basis of contribution rates set in the 2007 actuarial valuation of the pension fund. However due to the fall in investment values over time this is not sufficient to meet 100% of its liabilities. This means that it does not comply with the accounting requirements of SSAP24 and a contribution rate is being estimated by the actuary that would be required to comply.

The policy is to use the real cost of pensions instead of the actual cost in the year and reflects the commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The overall amount to be met from Government grants and local taxation is unaffected.

The assets of the Cambridgeshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:-

- quoted securities at current bid price ( was mid-market value)
- unquoted securities - professional estimate
- unlisted securities - current bid price ( was average of bid and offer rates)
- property - market value

In assessing liabilities for retirement benefits at 31 March 2009 for the 2008/09 Statement of Accounts, the actuary was required by the SORP to use a discount rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities (rate used - iboxx Sterling Corporate Index, A over 15 years). The actuary has advised that a rate of 6.9% is appropriate.

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

- ◆ current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- ◆ past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- ◆ interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Income and Expenditure Account
- ◆ expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Income and Expenditure Account
- ◆ gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- ◆ actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Total Recognised Gains and Losses
- ◆ contributions paid to the Cambridgeshire pension fund - cash paid as employer's contributions to the pension fund

## STATEMENT OF ACCOUNTING POLICIES continued

In relation to retirement benefits, statutory provisions require the General fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance 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 amounts payable to the fund but unpaid at the year-end.

### **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.

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

### **VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

### **Overheads/ Support Service Costs**

The costs of overheads and support service are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). 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 - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

Each support service has been treated in the accounts as separate entities, and it is intended that they should break even taking one year with another, by adjustment of subsequent years' charges. The net year-end surplus on support services forms part of the General Fund Reserve balance.

### **Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (eg software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

### **Tangible Fixed Assets**

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

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

The basis of ongoing valuation adopted in respect of the Council's operational property is open market value for the existing use, except where this could not be assessed because there is no market for the subject asset. For these assets depreciated replacement cost has been applied. The valuer (see note 31) has assumed that the properties will continue to be in the occupation of the Council for the foreseeable future having regard to the prospect and viability of that occupation. The figures have been apportioned between land and buildings and an estimate made of the remaining life of the latter. Items of plant and machinery which would normally be considered integral with the building fabric have been reflected in the valuations. Vehicles and equipment are held at historic cost. A deminimus of £10,000 is set for assets apart from IT equipment which has no deminimus. Property assets regarded by the Council as non-operational have been valued on the basis of open market value.

## STATEMENT OF ACCOUNTING POLICIES continued

Increases in values from revaluations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

**Impairment: the values of each category of assets and of material individual assets that are not** being depreciated are reviewed regularly each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- ◆ where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- ◆ otherwise – written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve with any excess charged to the relevant service revenue account

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

### Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. 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 Statement of Movement on the General Fund Balance.

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

### Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is calculated on the following bases:

- ◆ dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- ◆ vehicles, plant and equipment – a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer
- ◆ infrastructure – straight-line allocation over 100 years.

Where an asset has major components with different estimated useful lives, these 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 (or 1 April 2007 value if earlier) being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Grants and contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Assets have been categorised in accordance with the definitions in the SORP.

In accordance with FRS15, the authority's buildings are depreciated over the life of the individual assets .

Asset  
Categories

FRS15

## STATEMENT OF ACCOUNTING POLICIES continued

### Charges for Fixed Assets

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

- ◆ depreciation attributable to the assets used by the relevant service
- ◆ impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- ◆ amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### Rev exp funded from capital

Revenue expenditure funded from capital under statute are payments of a capital nature where no fixed asset is created within the Authority's balance sheet but which may provide benefit to the Authority over a number of years. All expenditure of this type is written out to revenue as it is incurred.

### Leases

The Council has no finance leases.

The Council operates a car leasing scheme for the benefit of certain employees. The Council also leases out various properties under operating leases. The Council also has leases for such items as photocopiers, water and snack dispensers but these are not considered material to the accounts.

Rentals payable on operating leases are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Rentals receivable on operating leases are charged to the relevant service revenue account in the year that they become due.

### Financial Instruments

A financial asset or liability is recognised on the balance sheet when the Council becomes party to the contractual provisions of the instrument. This will often be the date that the contract is entered into but may be later if there are conditions that need to be satisfied.

#### Financial Liabilities

These are initially measured at fair value and carried at amortised cost. Annual charges to the Income & Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings of the Council this means that the amount presented on the Balance Sheet is the outstanding principal and interest charged to the Income & Expenditure Account is the amount payable for the year in the loan agreement.

#### Financial Assets

Financial assets are classified into two types:

- ◆ loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- ◆ available-for-sale assets - assets that have quoted market price and/or do not have determinable payments

#### Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income & Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations and interest-free loans for private sector housing improvements (soft loans). When soft loans are made, a loss is recorded in the Income & Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective interest rate than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the

## STATEMENT OF ACCOUNTING POLICIES continued

Statement of Movement on the General Fund Balance.

The adjustments required to the soft loans (loans for renovation of historic buildings) are immaterial, thus they have not been made and the loans are recorded at face value in the Balance Sheet under Long Term Debtors.

Where assets are as identified impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income & Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income & Expenditure Account.

### Available for sale

Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- ◆ instruments with quoted market prices - the market price
- ◆ other instruments with fixed and determinable payments - discounted cash flow analysis
- ◆ equity shares with no quoted market prices - independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available for sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred - these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written-down and a charge made to the I & E Account.

Any gains or losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **Stock & Work in Progress**

The value of stock held is included within the Balance Sheet at the lower of cost or net realisable value in accordance with SAAP 9.

### **Related Companies**

East Cambridgeshire District Council owns all the shares in East Cambridgeshire Business Centres Limited. All the shares are now fully paid up.

The investment is held at cost price in the Balance Sheet.

Statutory investments are included in the Group Accounts on the basis of the percentage of the company owned by the Council. Details of the statutory investment can be found in note 32 to the core accounts. Group Accounts have been prepared as per the SORP requirements.

### **Investments**

External investments are included in the accounts at historical cost.

### **Prudential Code**

The accounts have been produced to satisfy the requirements of the Prudential Code for Capital finance in Local Authorities.

### **MRP**

Minimum Revenue Provision for the repayment of debt is being provided for on a reasonable basis.

The Council now has no long term debt as the debt brought forward has been repaid in the year.

### **Interest and Capital Charges**

External interest receivable is credited to the General Fund and included in the Income and Expenditure Account. Capital charges are made to each service on the basis of the values of the assets held or used. These charges are for depreciation of the assets. These charges are reversed out in the Statement of Movement on the General Fund Balance.

### **Debtors and Creditors**

The provisions for debtors and creditors have been made so far as practicable on the basis of known liabilities, and no material items have been estimated.

The provisions made for bad debts take into account the nature, value and age of general debts. For Council Tax and Business Rates the provision increases with the age of the debt.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### *The Council's Responsibilities -*

The Council 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. At East Cambridgeshire District Council that officer is the Executive Director (Finance).
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the statement of accounts.

### *The Executive Director Responsibilities -*

The Executive Director is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31 March 2009).

In preparing this statement of accounts, the Executive Director has:

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

The Executive Director has also:

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

I hereby certify that the Statement of Accounts presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

**Alex Colyer**  
**Executive Director (Finance)**

**Date: 22nd September 2009**

### **Approval by Policy and Resources Committee**

I confirm that these accounts were approved by the Policy and Resources Committee at the meeting held on 23rd June 2009.

**Councillor Fred Brown**  
**Chairman**

**Date: 22nd September 2009**

## 1. SCOPE OF RESPONSIBILITY

East Cambridgeshire District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.eastcamb.gov.uk](http://www.eastcamb.gov.uk). This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the 2008/2009 Statement of Accounts.

## 3. THE GOVERNANCE FRAMEWORK

The Council has a responsibility for ensuring a sound system of governance to meet statutory requirements requiring public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control and preparing a statement on internal control. This governance statement meets that requirement and sets out brief details of the arrangements the Council has in place regarding the key systems and processes comprising the Council's governance framework. This forms part of the Council's overall assurance framework, which incorporates the local Code of Corporate Governance adopted by the Council, covering six core principles and the accompanying supporting principles contained within the CIPFA/SOLACE Framework for delivering good governance in local government published in 2007.

The six core principles are:-

- ◆ Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- ◆ Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- ◆ Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- ◆ Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- ◆ Developing the capacity and capability of members and officers to be effective; and
- ◆ Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles at East Cambridgeshire District Council are as follows.

**Core Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

In February 2008, the Council agreed a revised set of Corporate Objectives, which describe the priority areas of work for the Council until 2011. These objectives built on the existing corporate objectives and re-state the importance of managing growth, working in partnership and delivering high quality services. These corporate objectives were informed by consultation carried out by the Council on service priorities, and consultation carried out by the East Cambridgeshire Strategic Partnership.

The Council's three Corporate Objectives are:-

- ◆ To champion accessible public services to protect and enhance a high quality of life for all residents and ensuring effective and efficient use of resources.
- ◆ To work with our partners to deliver continuous improvement through effective challenge and learning and achieve the development of an informed, involved and united community.  
As one of the fastest growing districts in the country, we aim to stimulate and properly manage the social, economic and environmental impact of growth to meet the needs and aspirations of the whole community.
- ◆

In July 2008 the Council's Corporate Plan was approved by Full Council. The Council has identified 13 priorities for improvement, which underpin the ambitions set out in the Corporate Objectives. These priorities have been determined by consultation with all sections of the community, and extensive use of research that is used to develop Council policies. The Plan has strong links to the objectives of both the Local Area Agreement and the Sustainable Community Strategy. The Council has also published its Corporate Plan on the website. The key objectives have been communicated to East Cambridgeshire residents through the ECDC Magazine.

The priorities are translated into actions in Service Plans, which link the corporate objectives to actions on the ground. This link runs through the service planning process and ensures that the Council's ambitions are communicated and acted upon all the way through the organisation.

The Corporate Plan Indicators are monitored by the Council's Management Team each quarter, by Policy & Resources Committee and other Policy Committees twice a year, and by Internal Overview and Scrutiny Committee at year-end. The Council has completed the roll out of its Electronic Performance Management System across all departments during the year.

The Council has in place a Medium Term Financial Strategy which is approved by Policy and Resources each year. This Strategy gives the Council broad parameters for the development of its service plans, the level of expenditure it expects to be funded from council tax payers, the level and any use of reserves, the setting and allocation of budget reduction targets and the funding of the Council's capital programme.

The Council publishes an annual Statement of Accounts on a timely basis each year to communicate the Council's financial position and performance.

The Council has embarked on a programme of comprehensive service reviews where service delivery will be challenged against national best practice and performance. Service Review Guidelines were approved by Internal Overview and Scrutiny Committee in November 2008. A number of reviews were completed during the year including a review of the impact of the credit crunch.

**Core Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.**

The respective roles of the Council Leader and Chairman are included in the Council's Constitution. There is also a scheme of officer delegation within the Constitution. The Constitution is regularly monitored and updated to take account of any changes in legislation and the structure of the Council. There are clear terms and conditions for remuneration of Members and officers and an effective structure for managing the process included in the Constitution.

Effective management arrangements have been put in place at a senior level. The Chief Executive as the Head of Paid Service is responsible and accountable to the Council for all aspects of operational management. The Executive Director (Finance) as the statutory "Section 151" Officer is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control. The Monitoring Officer / Head of Legal Services is responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with.

Information about the work of the Council is available to the public via the Council's website, including the right to attend meetings, to speak and ask questions.

The Member Code of Conduct is included in the Council's Constitution. Members received a programme of training following the District Council elections in May 2007. An effective Standards Committee acts as the main means to raise awareness and leads in ensuring that high standards of conduct are firmly embedded within the local culture.

All posts within the Council have a detailed job description and person specification to ensure that staff are suitably qualified to undertake their responsibilities. The development needs of officers are determined through an annual performance appraisal. A key outcome of this process is a Personal Development Plan. Professional training requirements coming out of the appraisal process are approved by the Council's Management Team.

**Core Principle 3 – Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

The Council's Constitution acts as the guide for the operations of the Council, and identified the roles and responsibilities of both officers and Members. The Council has developed and implemented a local Code of Corporate Governance which is reviewed each year.

The Constitution incorporates Financial Regulations governing financial management and Contract Procedure Rules which specify how contracts for works, supplies and services are tendered for and controlled.

The Standards Committee promotes and maintains high standards of conduct within the Council and amongst Parish and Town Councils in the District through the Members' Code of Conduct. The role of the Standards Committee includes the assessment of allegations of misconduct against District and Parish Councillors, to advise the Council on the adoption or revision of the Members' Code of Conduct and to undertake overview of the Whistle-blowing Policy.

**Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

The Council's Constitution acts as the guide for the operations of the Council, and identified the roles and responsibilities of both officers and Members. The Constitution incorporates Financial Regulations governing financial management and Contract Procedure Rules which specify how contracts for works, supplies and services are tendered for and controlled.

The Council's financial management framework ensures that there is ongoing monitoring of expenditure. Quarterly budget monitoring reports are produced and reported to the respective Committees, which consider the latest projections of expenditure and income against budget plans for service areas within each Committee's responsibility.

The Council has a Risk Management Strategy in place which was updated and approved by Policy & Resources Committee in November 2008. Its implementation is overseen by the Council's Chief Executive and Management Team. A Corporate Risk Register is in place which is reviewed by the Council's Management Team on a quarterly basis and reported to Policy & Resources Committee. Operational risks are included in individual service plans. Training is provided as part of the annual service planning workshops.

The Council does not operate a separate Audit Committee, instead the role is included within that of the Policy & Resources Committee. Its responsibilities include the review of the Corporate Risk Register, and approval of the Annual Statement of Accounts and Annual Governance Statement.

The terms of reference of both Internal Overview & Scrutiny and External Partnerships Review Committees are included in the Constitution. The Council has embarked on a programme of comprehensive service reviews where service delivery will be challenged against national best practice and performance. Service Review Guidelines were approved by Internal Overview and Scrutiny Committee in November 2008. A number of reviews were completed during the year including a review of the impact of the credit crunch.

The Council's statutory officers are the Chief Executive, the Section 151 Officer and the Monitoring Officer. They are responsible for ensuring that the Council acts within the law and in accordance with established policy and procedure.

The Section 151 Officer is specifically responsible for the proper discharge of the Council's financial arrangements and must advise elected Members where any proposal is unlawful or where expenditure is likely to exceed resources.

Internal Audit works to an annual plan of reviews, an element of the work being to ensure that there is compliance with Council policies and procedures.

The Council made proper arrangements to secure economy, efficiency and effectiveness. The Authority and Group financial statements present fairly, in accordance with relevant legal and statutory requirements and the SORP on Local Authority and Accounting in the United Kingdom 2007, the financial position of the Authority as at 31<sup>st</sup> March 2008 and its income and expenditure for the year then ended.

The 2008/09 Statement of Accounts identified a £55k loss on its Building Control Account. Furthermore this function did not meet its break-even financial target over the three year period ending 31<sup>st</sup> March 2009. The Council plan to review this service during 2009/10 to identify the appropriate action required to ensure no further losses in the Building Control function are incurred.

The Councils 'Use of Resources' score for the financial year 2007/2008 was again assessed by the Audit Commission as level 3 (performing well overall). Under the individual themes, the Council was assessed at level 3 with the Audit Commission commenting upon improvements in internal control. The Council is now in the process of being assessed under the new performance assessment framework, the Comprehensive Area Assessment, the results of which should be published in autumn 2009.

The Council has in place a formal complaints procedure, which is centrally co-ordinated by Customer Services.

The Council has a Whistle-blowing Policy which incorporates arrangements for staff to report concerns anonymously. The Council also has an Anti-Fraud and Corruption Strategy which specifies the process by which investigations will be handled and reported. This Policy was reviewed during the year and Policy & Resources will recommend its adoption by Full Council during 2009/2010.

**Core Principle 5 – Developing the capacity and capability of Members and officers to be effective.**

A Member Induction and Training Programme was implemented following the May 2007 election in consultation with Members. During the financial year a Member Development Programme has also been implemented. Members are also required to undertake specific training before performing certain duties such as Planning and Licensing. Member seminars are also organised throughout the year to deal with specific issues as they arise.

The Council was first awarded the Investors in People Standard in 2005. the IIP Standard is awarded for a three year period and the Council was successful in retaining its status when reassessed in December 2008.

All posts within the Council have a detailed job description and person specification to ensure that staff are suitably qualified to undertake their responsibilities. The development needs of officers are determined through an annual performance appraisal. A key outcome of this process is a Personal Development Plan. Professional training requirements coming out of the appraisal are approved by the Council's Management Team.

The Council has in place an induction programme for all new employees. The programme involves a mix of one to one meetings and a formal induction day.

The Council was first awarded the Investors in People Standard in 2005. The IIP Standard is awarded for a three year period and the Council was successful in retaining this status following a reassessment in December 2008.

**Core Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.**

There is public access to all Committee meetings except where items for discussion are of a confidential nature. The Council is committed to extending public involvement in the decision making process. There are schemes in place where members of the public can speak at Planning Committee and Licensing Committee meetings. The Council has also issued guidance on public question time at other meetings. All meeting agendas, minutes and decisions are published on the Council's website.

Through five Neighbourhood Panels across the District, the Council, together with other important service providers in our area, is working to ensure that the community can have a say in how services are delivered. Each Panel is made up of Parish, District and County Councillors along with community representatives invited to become panel members. The public is welcome to attend and raise their own local issues.

The Council undertakes regular consultation exercises, including small focus groups of customers, large-scale questionnaires, and face-to-face surveys. Members of the public have been appointed to a register of consultees to give their views about decisions and services made in the District. The invitation for further individuals to join the register is regularly advertised to encourage as wide a participation as possible. Council affairs are widely communicated via the website and the ECDC Magazine which is circulated to all households within the District.

Through the Local Strategic Partnership the Council engages and communicates with a wide range of stakeholders and partners to identify and deliver a set of priorities in the Sustainable Community Strategy. Along with our partner organisations and Central Government the Council is engaged in defining the major issues to be addressed through the Local Area Agreement.

Regular media releases and briefings are used as a channel for keeping residents informed of upcoming issues and council decisions. The Council endeavours to make sure that all communications with the public are accessible to all by providing translation, large print and Braille.

In 2007 the Council identified its most significant partnerships and it was agreed that the External Partnerships Review Committee would review each partnership on a cyclical basis. The Council's Partnerships Officer has been working with colleagues across the County to devise an effective structure for financial accountability and project monitoring and this work is ongoing. In addition there are constitutional issues which arise as a consequence of being a 4th option council which need to be addressed individually as the structures are finally agreed.

## **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the Council who have responsibility for the development and maintenance of the overall governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditor, other review agencies and inspectorates.

### **The Council**

The Council operates in accordance with the Financial Management framework previously mentioned in that it approves :-

- Amendments to the Council's Constitution
- Service priorities
- Annual budget and council tax
- Annual Statement of Accounts
- Annual Governance Statement
- New or amendments to Policies and Strategies
- Code of Corporate Governance
- Scheme of Delegation

**Audit Committee**

In its role as the Audit Committee, Policy & Resources Committee receives the Annual Internal Audit Report and recommends both the Annual Statement of Accounts and the Annual Governance Statement for approval.

**Standards Committee**

The Standards Committee is properly constituted in accordance with legislation. It is chaired by a non-elected member and consists of District Councillors and non-elected independent members and parish councillors.

The Standards Committee is responsible for promoting and maintaining high standards of conduct by Councillors and for monitoring compliance with the Member Code of Conduct.

**Internal Audit**

Internal Audit operates in accordance with the Code of Practice for Internal Audit 2006 issued by the Chartered Institute of Public Finance & Accountancy. The Terms of Reference for Internal Audit is approved annually by Policy & Resources Committee.

Internal audit is responsible for the review of the system of internal control and for providing an opinion on the internal control environment within the annual audit report. The Annual Audit Plan governs each year's activity and at the completion of each audit a report is produced for management with recommendations for improvement.

The Internal Audit Opinion included in the Annual Report for 2008/2009 is :-

"Whilst no assurance can be absolute, on the basis of the work carried out by Internal Audit during the year, and the implementation by management of the recommendations made, I can give significant assurance that the systems of internal control within the areas examined were operating satisfactorily."

Each audit report issued contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. the level of assurance given ranges from "Full Assurance" where there are only low priority or no recommendations arising, to "No Assurance" where a significant proportion of the recommendations are high priority. During the year Internal Audit issued one report on a key system (Computer Audit – Change Control) where a limited assurance was given due to the number of high priority recommendations contained in the report. An action plan has been agreed to implement the recommendations made in the report.

**ANNUAL GOVERNANCE STATEMENT 2008/2009 continued**

<b>Recommendation</b>	<b>Implementation/Action</b>
<p><b>Corporate Change Control Policy</b></p> <p>It is recommended that:-</p> <ul style="list-style-type: none"> <li>• A corporate Change Control Policy is developed in consultation with systems administrators, which sets out how systems amendments should be carried out and how they should be documented.</li> <li>• The Policy should be communicated to all ICT staff and officers with systems administration responsibilities.</li> <li>• The Policy should be reviewed and updated on a regular basis.</li> <li>• There should be a mechanism in place to monitor compliance with the Policy.</li> </ul>	<p>Executive Director (HR&amp;IT)</p> <ul style="list-style-type: none"> <li>• Report to Management Team on outcome of review.</li> <li>• Policy to be developed which is fit for purpose.</li> <li>• Progress through consultation, approval and communication to all staff.</li> <li>• Policy to be included in departmental Policy Review Matrix to ensure it is reviewed and updated.</li> </ul> <p>Implementation – 01/01/2009</p>
<p><b>Documented Procedures</b></p> <p>It is recommended that:-</p> <ul style="list-style-type: none"> <li>• Consideration be given to logging all change control requests via the service desk, regardless of which system they relate to.</li> <li>• System Administrators compile procedure notes in relation to change control covering the requirements set out in the corporate Change Control Policy commensurate to the level of change activity within the system.</li> </ul>	<p>Principal ICT Officer/Systems Administrators</p> <ul style="list-style-type: none"> <li>• Report to Management Team on outcome of the review.</li> <li>• To be covered by compliance with the Policy. Should ensure consistent approach across the Council if agreed procedures are followed.</li> <li>• Communication of requirements through issue of the Policy and Core Brief.</li> </ul> <p>Implementation – 01/04/2009</p>
<p><b>Third Party Support</b></p> <p>It is recommended that where future systems are being considered, the ICT technical support team are fully involved in the process to ensure that potential suppliers adhere to the Council's security and access requirements and Change Control Policy.</p>	<p>Executive Director (HR&amp;IT)</p> <ul style="list-style-type: none"> <li>• Report to Management Team on outcome of the review.</li> <li>• Contact third parties re audit requirements.</li> <li>• Do RFC forms for all dial-ins by third party suppliers.</li> <li>• As a minimum ask third party suppliers to say what they are intending to do/have done.</li> <li>• Look into possibility of taking a "snap shot" prior to/after change has been made.</li> </ul> <p>Implementation – 01/04/2009</p>

Progress on the implementation of these recommendations will be monitored by the Principal Auditor and reported to Management Team/Heads of Service on a quarterly basis.

**Other Review/Assurance Mechanisms**

In March 2009 the Audit Commission published its Annual Audit and Inspection Letter for the 2007/2008 audit. The Letter reviewed the outcome of external audit activity during the previous financial year but also taking account of developments up to the issue of the report.

## ANNUAL GOVERNANCE STATEMENT 2008/2009 continued

Within this letter the Audit Commission reported the Use of Resources Auditor Judgements for 2008. Based on a series of Key Lines of Enquiry, the Council was scored according to the standard of performance achieved. The possible scores ranged from 1 – inadequate, to 4 – performing strongly. Overall the Council was assessed as performing at level 3, which indicates the Council is performing well. The Council achieved a similar score in 2007.

The Letter also identified the following actions needed by the Council:-

The main improvement areas arising from the audit were for the Council to continue to strengthen and embed risk management arrangements and embed the use of benchmarking and information on costs, including comparatives with other councils.

### Management Team

The Council's Management Team regularly reviews aspects of strategic performance management including:-

- ◆ Corporate Improvement Programme
- ◆ Revenue and Capital budget monitoring
- ◆ Risk Management
- ◆ National, key and local performance indicators

### SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified during the review of the governance framework:-

Issue/Recommendation	Action Planned for 2009/10
<p><b>Partnership arrangements</b> – the Council must continue to work towards putting in place effective structures for financial accountability and project monitoring within partnerships, and look to develop a partnership protocol to ensure that roles and responsibilities are clearly defined and understood.</p>	<p>Head of Policy &amp; Performance and Partnerships Officer to continue progress.</p> <p>Internal Audit review of partnerships included in 2009/2010 audit plan.</p>
<p><b>Terms of Reference</b> – the Policy and Resources Committee fulfil the role of the Audit Committee but this needs to be explicit in the Terms of Reference in the Constitution.</p>	<p>This will be included in amendments to the Constitution being recommended to Full Council in July 2009.</p>
<p><b>Awareness training</b> – the Council needs to raise awareness of a number of its policies and procedures not covered within the induction programme:-</p> <ul style="list-style-type: none"> <li>◆ Contract Procedure Rules</li> <li>◆ Financial Regulations</li> <li>◆ Anti-Fraud and Corruption Strategy</li> <li>◆ Whistleblowing Policy</li> </ul>	<p>Head of Legal Services to provide training on Contract Procedure Rules/Financial Regulations to officers nominated by Executive Directors.</p> <p>Principal Auditor to provide general fraud awareness training to include Anti-Fraud &amp; Corruption Strategy and Whistle-blowing Policy.</p>

**ANNUAL GOVERNANCE STATEMENT 2008/2009 continued**

<p><b>Review of the effectiveness of the audit committee</b> – recent Cipfa guidance has widened the scope of the above review to include the operation of the audit committee. This has not been completed as part of the 2008/2009 review, and therefore must be subject to review during the coming financial year.</p>	<p>Completion of self assessment checklist by Executive Director (Finance) and Chairman of Policy and Resources Committee.</p>
<p><b>Internal Overview &amp; Scrutiny Recommendations</b> – the Internal Overview &amp; Scrutiny Committee makes recommendations however there is no process in place to monitor and review their implementation. This should be included as a standing item on the Agenda Plan.</p>	<p>The Executive Director (Human Resources &amp; Information Technology) as lead officer has already put arrangements in to ensure a six monthly review of recommendations from April 2009.</p>

We have been advised on the implications of the results of the review of effectiveness of the governance framework, and plan to address weaknesses and ensure continuous improvement of the system in place.

We propose to take steps to address the above matters to further enhance governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

J Hill  
 Chief Executive  
 Date : 22nd September 2009

F Brown  
 Leader of Council  
 Date : 22nd September 2009

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL**

### **Opinion on the financial statements**

I have audited the Authority and Group accounting statements and related notes of East Cambridgeshire District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of East Cambridgeshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective Responsibilities of the Executive Director (Finance) and Auditor**

The Executive Director's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements presents fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 :

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

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

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

### **Basis of audit opinion**

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

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

### **Opinion**

In my opinion :

The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL**

The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

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

**Authority's responsibilities**

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

**Auditor's responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, East Cambridgeshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

**Certificate**

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

Debbie Hanson  
Officer of the Audit Commission  
Regus House  
1010 Cambourne Business Park  
Cambourne  
Cambridge  
CB23 6DP

Date 29th September 2009

**INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009**

	2008/2009			2007/2008	note
	Expenditure £	Income £	Net £	£	
<b>Income and Expenditure</b>					
Central Services to the public	5,156,286	-4,379,660	776,626	805,298	
Cultural & Related	1,996,128	-254,905	1,741,223	1,490,441	
Environmental	5,149,109	-577,384	4,571,725	4,100,305	
Planning & Development	3,323,706	-1,733,604	1,590,102	1,432,636	
Transport	884,138	-271,276	612,862	599,675	
Housing	15,203,197	-13,973,576	1,229,621	956,496	
Corporate & Democratic Core	2,194,189	-523,640	1,670,549	1,599,543	
Non Distributed Costs	737,779	0	737,779	54,292	
<b>NET COST OF SERVICES</b>	<b>34,644,532</b>	<b>-21,714,045</b>	<b>12,930,487</b>	<b>11,038,686</b>	
Parish council precepts			1,291,070	1,224,769	
Internal Drainage Board Levies			302,725	289,685	
Loss/(gain) on the disposal of fixed assets			159,208	-94,022	
Contribution of housing capital receipts to Govt. Pool			7,446	17,242	
Interest payable and similar charges			68,008	30,927	45
Interest receivable and Investment Income			-905,844	-816,588	45
Pensions interest cost			1,897,000	1,556,000	28
Expected return on pension assets			-1,530,000	-1,616,000	28
<b>NET OPERATING EXPENDITURE</b>			<b>14,220,100</b>	<b>11,630,699</b>	
<b>Financing of net revenue expenditure</b>					
Income from Collection Fund			-4,839,170	-4,546,407	
Distribution from the non-domestic rate pool			-5,820,113	-5,584,836	
General Government Grants					
Revenue Support Grant			-810,207	-937,251	
Area Based Grant			-22,500	0	
LABGI			-145,348	-108,423	
<b>DEFICIT/(SURPLUS) FOR THE YEAR</b>			<b>2,582,762</b>	<b>453,782</b>	

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE 2008/2009

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- ◆ Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- ◆ The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- ◆ Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2008/2009	2007/2008	
	£	£	
(Surplus)/deficit for the year on the Income & Expenditure Account	2,582,762	453,782	
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-2,031,012	-500,098	<b>A</b>
(Increase)/Decrease in the General Fund Balance for the year	551,750	-46,316	
General Fund Balance brought forward	-1,626,263	-1,579,947	
General Fund Balance carried forward (available for new expenditure)	-1,074,513	-1,626,263	

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE 2008/2009**

**A  
Reconciling  
Items**

	2008/2009		2007/2008
	£	£	£
<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
Amortisation of intangible fixed assets	-34,998		0
Depreciation and impairment of fixed assets	-1,886,600		-757,104
Government Grants Deferred amortisation	32,566		0
Amounts treated as Revenue in accordance with the SORP but which are classified as Capital expenditure by statute	-1,068,531		-743,502
Net (loss)/gain on sale of fixed assets	-159,208		94,022
Net charges made for retirement benefits in accordance with FRS 17	<u>-1,137,000</u>		<u>-733,000</u>
		-4,253,771	<u>-2,139,584</u>
<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>			
Minimum revenue provision for capital financing	-20,000		20,000
Capital expenditure charged in year to the General Fund Balance	652,147		879,707
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-7,446		-17,242
Employer's contributions payable to the Cambridgeshire Pension Fund and retirement benefits payable direct to pensioners	<u>746,000</u>		<u>627,000</u>
		1,370,701	<u>1,509,465</u>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
Voluntary revenue provision for capital financing	0		0
Net transfer to or (from) earmarked reserves	<u>852,058</u>		<u>130,021</u>
		852,058	<u>130,021</u>
<b>Net additional amount required to be debited or (credited) to the General Fund Balance for the year</b>		<u>-2,031,012</u>	<u>-500,098</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES 2008/2009**

	2008/2009	2007/2008
	£	£
(Surplus)/Deficit for the year on the Income and Expenditure Account	2,582,762	453,782
(Surplus)/Deficit arising on revaluation of fixed assets	-4,407,978	0
Actuarial (Gains)/Losses on pension fund assets and liabilities	3,067,000	-709,000
Any other recognised (Gains)/Losses	-71,509	-76,531
	<hr/>	<hr/>
Total recognised (Gains)/Losses for the year	1,170,275	-331,749
	<hr/> <hr/>	<hr/> <hr/>

**BALANCE SHEET AS AT 31 MARCH 2009**

	31.03.09		31.03.08	note
	£	£	£	
<b>Assets</b>				
Intangible Assets		59,675	59,675	94,673 15
Tangible Fixed Assets				
Operational				
Community		520,523		513,854
Infrastructure		663,459		410,917
Land and buildings		13,247,910		10,424,848
Vehicles		150,621		102,565
Equipment		523,814		687,058
			15,106,327	12,139,242 15
Non-operational Assets				
Surplus assets, held for disposal		978,348		885,111
Investment Properties		586,951		907,335
			1,565,299	1,792,446 15
Long Term Investments		2,608,652		2,591,670 17
Long-term debtors		160,362		188,685 18
			2,769,014	2,780,355
Total long-term assets			19,500,315	16,806,716
Current assets				
stocks and work in progress		44,786		68,591 19
debtors	4,201,863			3,364,393 20
bad debt provisions	-1,157,794	3,044,069		-959,201 20
investments		6,244,033		9,620,337
			9,332,888	12,094,120
<b>Liabilities</b>				
Current liabilities				
creditors		-2,552,942		-3,184,279 21
short term borrowing		0		-1,000,760 22
section 106 agreements		-2,575,376		-2,397,236 23
receipts in advance		-1,195,818		-786,837
bank overdraft		-379,031		-875,277
			-6,703,167	-8,244,389
Total assets less current liabilities			22,130,036	20,656,447
Provisions		-152,343		-127,496 24
PWLB Loan		0		-1,011,344 25
Capital contributions/govt grants unapplied		-311,599		-331,110 26
Capital contributions/govt grants deferred		-425,649		-233,777 27
Liability related to defined benefit pension scheme		-9,189,000		-5,731,000 10
			-10,078,591	-7,434,727
Total assets less liabilities			12,051,445	13,221,720
<b>Balances &amp; Reserves</b>				
Revaluation reserve		-4,343,267		0 29
Capital adjustment account		-12,662,091		-14,726,067 29
Financial Instruments Adjustment Account		0		-20,000 29
Capital receipts reserve		-1,596,446		-1,910,555 29
Deferred capital receipts		-146,165		-175,440 24
Available-for-sale financial instruments reserve		0		0 24
Pensions reserve		9,189,000		5,731,000 10
Earmarked reserves		-1,278,693		-426,634 24
Balances:				
- general fund		-1,074,513		-1,626,263 24
- collection fund		-139,270		-67,761 24
Total equity			-12,051,445	-13,221,720 30

Alex Colyer  
Executive Director(Finance)

Date: 22nd September 2009

**THE CASH FLOW STATEMENT 2008/2009**

		2008/2009		2007/2008	note	
		£	£	£		
<b>Revenue Activities</b>	<b>CASH OUTFLOWS</b>					
	Cash paid to and on behalf of employees		6,361,482	5,123,985		
	Other operating cash payments		7,140,766	7,292,844		
	Housing Benefit paid out		13,200,309	11,678,476		
	NNDR payments to national pool		15,323,438	14,120,364		
	Precepts paid		34,861,196	32,365,376		
	Payments to the Capital Receipts Pool		7,446	17,242		
			-----	-----		
				76,894,637	70,598,287	
				-----	-----	
	<b>CASH INFLOWS</b>					
	Rents (after rebates)		-469,532	-495,275		
	Council Tax income		-35,358,192	-32,574,393		
	NNDR receipts from national pool		-5,820,113	-5,584,836		
	Non-domestic rate income		-15,587,244	-14,060,901		
	Revenue Support Grant		-810,207	-937,251		
	DWP Grants for benefits		-15,908,601	-15,722,352		
	Other government grants		-513,158	-794,842		
	Cash received for goods and services		-1,649,500	-1,899,704		
	Other operating cash receipts		-743,095	-879,323		
		-----	-----			
			-76,859,642	-72,948,877		
			-----	-----		
<b>NET CASH FLOW FROM REVENUE ACTIVITIES</b>			34,995	-2,350,590	<b>39</b>	
<b>Returns on Investment and Servicing of Finance</b>	<b>CASH OUTFLOWS</b>					
	Interest paid		65,736	26,841		
	<b>CASH INFLOWS</b>					
	Interest received		-666,310	-883,946		
		-----	-----			
			-600,574	-857,105		
<b>Capital Activities</b>	<b>CASH OUTFLOWS</b>					
	Purchase of fixed assets	396,321		1,295,903		
	Purchase of long-term investments	10,659		2,017,515		
	Other capital cash payments	1,605,636		997,574		
		-----		-----		
			2,012,616	4,310,992		
	<b>CASH INFLOWS</b>					
	Sale of fixed assets	-15,956		-121,147		
	Capital grants received	-299,600		-275,528		
	Other capital cash receipts	-26,892		-62,880		
		-----	-----			
			-342,448	-459,555		
			-----	-----		
			1,670,168	3,851,437		
			-----	-----		
<b>NET CASH OUTFLOW OR (INFLOW) BEFORE FINANCING</b>			1,104,589	643,742		
<b>Management of Liquid Resources</b>	<b>NET INCREASE/(DECREASE) IN SHORT TERM DEPOSITS</b>			-3,600,836	1,424,568	
<b>Financing</b>	<b>CASH OUTFLOWS / CASH INFLOWS</b>					
	Repayment of amounts borrowed / New loans raised			2,000,000	-2,000,000	
			-----	-----		
<b>DECREASE / (INCREASE) IN CASH AND CASH EQUIVALENTS</b>			-496,247	68,310		
			=====	=====		

## NOTES TO THE CORE ACCOUNTS

**1  
Prior  
Period  
Adjustments**

There were no prior period adjustments

**2  
Acquired/  
Discontinued  
operations**

There were no acquired or discontinued operations during the year.

**3  
Undischarged  
obligations**

The Council has a long term agreement with Anglia Revenues Partnership for the provision of a Revenues and Benefits Service.

**4  
Trading  
Operations**

The Council owns Ely market rights, and also owns a number of industrial sites in the District. Operation of The Maltings public hall was contracted out with effect from November 1994. The profits (or losses) on these trading operations were as follows:

	2008/2009		2007/2008	
	Turnover	Profit (loss)	Turnover	Profit (loss)
	£	£	£	£
Ely markets	134,946	25,238	145,026	22,223
Business Units	40,327	-106,744	61,298	-49,079
Maltings hall	12,328	-111,246	105,909	6,090
Total	187,601	-192,752	312,233	-20,766
	187,601	-192,752	312,233	-20,766

Ely Markets has made a similar surplus to the previous year  
 The increased deficit on the Business units was because of increased capital charges due to revaluations.  
 Maltings loss was due to the building being closed for much of the year for refurbishment.

**5  
Publicity  
Expenditure  
[S5(1) of the  
Local Govern-  
ment Act  
1986]**

The Council's expenditure on publicity is set out below.

	2008/2009	2007/2008
	£	£
Recruitment advertising	46,313	50,330
Other advertising	84,815	69,586
Promotions	40,993	34,242
Other publicity	1,468	2,577
	173,589	156,735
	173,589	156,735

**6  
Agency  
Expenditure**

The Council undertakes grass cutting in Ely as agents for Cambridgeshire County Council. The County Council reimburses the District Council for the cost of this work, subject to a cash limit, and makes a contribution towards administrative costs. The direct expenditure in 2008/2009 was £4864 (2007/2008 £4,864) towards which the County Council contributed £4864(2007/2008 £4,864). There was, therefore, no deficit to be included in the Income & Expenditure account.

**NOTES TO THE CORE ACCOUNTS continued**

**7  
Officers  
Remuneration**

The numbers of employees whose Remuneration fell within the following bands were:-

	2008/2009	2007/2008
	No of Employees	No of Employees
Band £50,000 to £59,999	3	3
Band £60,000 to £69,999	1	0
Band £70,000 to £79,999	0	0
Band £80,000 to £89,999	1	4
Band £90,000 to £99,999	2	0
Band £100,000 to £109,999	0	0
Band £110,000 to £119,999	0	1
Band £120,000 to £129,999	1	0

**8  
Building  
Regulations**

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Building Control Authorities are required to prepare a scheme of charges to ensure the cost of providing the charging service are recovered by charges over a three year rolling programme. However, certain activities performed by the Building Control unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. Net expenditure on Building Control Services in 2008/09 totalled £55,176. The Council did not meet its three year breakeven financial target and a medium term financial strategy is being established to address this. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities:

	Non-chargeable 2008/2009	Chargeable 2008/2009	Total Building Control 2008/2009
	£	£	£
<b>Expenditure</b>			
Employee expenses	138,348	161,594	299,942
Premises	5,768	0	5,768
Transport	530	0	530
Supplies & Services	1,233	23,492	24,725
Central & Support charges	64,685	92,948	157,633
Total Expenditure	210,564	278,034	488,598
<b>Income</b>			
Building Regulation charges	0	-205,007	-205,007
Miscellaneous Income	-775	-17,851	-18,626
Total Income	-775	-222,858	-223,633
<b>(Surplus)/Deficit for the Year</b>	209,789	55,176	264,965

**Comparatives for 2007/2008**

Expenditure	211,991	282,364	494,355
Income	-41	-287,202	-287,243
<b>(Surplus)/Deficit for the Year</b>	211,950	-4,838	207,112

**Reserve A/C**

	2008/2009	2007/2008
(Surplus)/Deficit B/F	46,583	51,421
(Surplus)/Deficit in year	55,176	-4,838
Contribution from Revenue	(101,759)	0
<b>(Surplus)/Deficit C/F</b>	0	46,583

**Cumulative for 3 years**

Expenditure	597,952	873,034	1,470,986
Income	-2,325	-780,417	-782,742
<b>(Surplus)/Deficit for the Year</b>	595,627	92,617	688,244

**9  
Audit costs**

The following fees relating to external audit and inspection were incurred:-

	2008/2009	2007/2008
	£000's	£000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	98	93
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns	34	21
Fees payable in respect of other services provided by the appointed auditor	2	0

**NOTES TO THE CORE ACCOUNTS continued**

<b>10 Move- ments in Revenue Resources</b>	<b>Movements in revenue resources</b>	General Fund Balances £	Earmarked Revenue £	Pensions Reserve £
	(Surplus)/deficit for 2008/2009	551,750	0	0
	Appropriations to/from revenue	0	-852,059	391,000
	Actuarial gains/losses on pensions	0	0	3,067,000
		<u>551,750</u>	<u>-852,059</u>	<u>3,458,000</u>
	Balance B/F at 1st April	-1,626,263	-426,634	5,731,000
	Balance C/F at 31st March	<u>-1,074,513</u>	<u>-1,278,693</u>	<u>9,189,000</u>

The Pension Reserve is made up as follows:-		£
Actuary Value		8,162,000
Unfunded Liabilities		1,027,000
		<u>9,189,000</u>

**11  
Supplies to  
Other Public  
Sector Bodies**

The Local Authorities (Goods and Services) Act 1970 empowers the Council to provide goods and services to other local authorities and to certain other bodies. There was no significant activity under this Act during the year.

**12  
Minimum  
Revenue  
Provision**

Local authorities are required by The Local Authorities (Capital Finance and Accounting) Regulations 2003 to set aside a minimum revenue provision for the redemption of external debt. This is based on the Capital Financing Requirement as defined in the Regulations and the Prudential Code. As the Council has no long term borrowing it has no current MRP provision.

**13  
Members  
Allowances**

The total members' allowances paid in the year was £193,270 (2007/2008 £161,914) Information regarding Members Allowances is published annually in the local press. Further details are available from the Head of Finance.

**14  
Commitments  
under  
Capital  
Contracts**

There has been no provision made in the accounts for commitments in respect of retentions held under capital contracts outstanding at 31 March 2009. The Council has an ongoing capital programme and capital spending plans for the years 2009/2010 to 2011/2012 have been made. As at 31 March 2009 no significant expenditure had been legally committed. The total capital payments expected to be made are as follows;

2009/2010	2010/2011	2011/2012
£000	£000	£000
1,333	534	534

The Council's future capital spending plans are kept under constant review in the light of available resources and changing circumstances.

**NOTES TO THE CORE ACCOUNTS continued**

**15  
Capital  
Expenditure  
and  
Disposals**

Movements in fixed assets during the year were:

**Intangible Assets (software licences)**

	Gross value	Depreciation	Net value
Balance at 1 April 2008	163,095	-68,422	94,673
Amortisation in year	0	-34,998	-34,998
Balance at 31 March 2009	163,095	-103,420	59,675

**Operational Assets at cost or valuation**

	Community Assets	Infra- structure Assets	Other Land and buildings	Equipment and Vehicles	Total
	£	£	£	£	£
Balance at 01.04.08	575,647	430,450	13,227,499	3,089,796	17,323,392
Additions	0	0	230,119	166,485	396,604
Donations	1	0	0	0	1
Disposals	-469	0	-166,294	-130,155	-296,918
Reclassifications	294,811	303,475	-750,660	48,373	-104,001
Revaluations	0	0	1,915,457	0	1,915,457
Impairments	-262,873	-44,000	-489,082	0	-795,955
Balance at 31.03.09	607,117	689,925	13,967,039	3,174,499	18,438,580

**Depreciation and impairments**

	£	£	£	£	£
Balance at 01.04.08	-61,793	-19,533	-2,802,651	-2,300,173	-5,184,150
Additions	0	0	0	0	0
Depreciation	-20,663	-4,251	-252,010	-315,942	-592,866
Impairments	0	0	0	0	0
Disposals	0	0	15,670	116,555	132,225
Reclassifications	-4,138	-2,682	44,294	-504	36,970
Revaluations	0	0	2,275,568	0	2,275,568
Balance at 31.03.09	-86,594	-26,466	-719,129	-2,500,064	-3,332,253

**Balance Sheet (NBV)**

amount at 31.03.09	520,523	663,459	13,247,910	674,435	15,106,327
-----------------------	---------	---------	------------	---------	------------

**Balance Sheet (NBV)**

amount at 01.04.08	513,854	410,917	10,424,848	789,623	12,139,242
-----------------------	---------	---------	------------	---------	------------

**Nature of asset holding**

Owned	520,523	663,459	13,247,910	674,435	15,106,327
Finance Lease	0	0	0	0	0
PFI	0	0	0	0	0
	520,523	663,459	13,247,910	674,435	15,106,327

**NOTES TO THE CORE ACCOUNTS continued**

**Non-Operational Assets at cost or valuation**

	Investment properties £	Assets under construction £	Surplus assets held for disposal £	Total £
Balance at 01.04.08	936,423	0	1,141,269	2,077,692
Additions	0	0	0	0
Donations	0	0	0	0
Disposals	0	0	-850	-850
Reclassifications	0	0	104,001	104,001
Revaluations	32,000	0	-45,714	-13,714
Impairments	-352,384	0	-139,535	-491,919
Balance at 31.03.09	616,039	0	1,059,171	1,675,210

**Depreciation and impairments**

	£	£	£	£
Balance at 01.04.08	-29,088	0	-256,158	-285,246
Additions	0	0	0	0
Depreciation	0	0	-5,860	-5,860
Impairments	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	-36,970	-36,970
Revaluations	0	0	218,165	218,165
Balance at 31.03.09	-29,088	0	-80,823	-109,911

**Balance Sheet (NBV)**

amount at 31.03.09	586,951	0	978,348	1,565,299
--------------------	---------	---	---------	-----------

**Balance Sheet (NBV)**

amount at 01.04.08	907,335	0	885,111	1,792,446
--------------------	---------	---	---------	-----------

**Nature of asset holding**

Owned	586,951	0	978,348	1,565,299
Finance Lease	0	0	0	0
PFI	0	0	0	0
	586,951	0	978,348	1,565,299

## NOTES TO THE CORE ACCOUNTS continued

<b>Capital expenditure and financing</b>	<b>2008/2009</b>	<b>2007/2008</b>
	£	£
Opening Capital Financing Requirement	-151,982	-151,982
Capital investment		
Operational assets	381,636	865,482
Non-operational assets	0	336,438
Revenue expenditure funded from Capital under statute	1,624,728	1,019,030
Sources of finance		
Capital receipts	-339,805	-1,149,793
Government grants and other contributions	-1,014,412	-275,528
Sums set aside from revenue (NB includes direct revenue financing, MRP and any voluntary set aside)	-652,147	-795,629
Closing Capital Financing Requirement	<u>-151,982</u>	<u>-151,982</u>

### Explanation of movements in the year

Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	0	0
Increase/(decrease) in Capital Financing Requirement	<u>0</u>	<u>0</u>

	<b>2008/2009</b>	<b>2007/2008</b>
	£	£
The sources of finance for capital expenditure were:		
Government Grants and other contributions	1,014,412	275,528
General Fund	652,147	879,707
Useable capital receipts	<u>337,764</u>	<u>1,158,309</u>
Total source of finance	2,004,323	2,313,544
Used to fund:		
Revenue expenditure funded from capital under statute	1,624,728	1,019,030
Long term debtors	-2,040	7,790
Fixed assets	<u>381,635</u>	<u>1,286,724</u>
Total expenditure	2,004,323	2,313,544

Depreciation is made on buildings, vehicles, equipment and intangible assets on the straight line method based on the expected remaining life. Land is not depreciated.

The useful lives of assets is estimated as:-

Class of Asset	Buildings	Plant & equipments	Vehicles	Infrastructure assets	Community assets	Intangible assets
Useful life by years	9-99	3-20	3-10	9-99	15-99	5

**NOTES TO THE CORE ACCOUNTS continued**

**16  
Assets  
Held**

East Cambridgeshire District Council owned the following assets at 31 March 2009:

<b>LAND AND BUILDINGS</b>			
Environmental Services:			
Dwelling	1	Trading Services:	
Public Conveniences	10	Industrial Estates	2
Travellers Site	1	Shops/Offices	4
Leisure Services:			
Leisure Centres	1	Public Hall/Restaurant	1
Parks	2	Support Services:	
Play Areas	5	Administrative Offices	2
Swimming Pool	1	Depots	2
Tourist Information Centre	1	Vehicles	
Museum	1	Recycling Vehicle	1
Transportation:			
Car parks	14	Recycling Vehicle	1
		Ride-on Mowers	8
		Trucks/Lorries	7
		Tractors	3
		Trailers	8
		Vans	11
<b>COMMUNITY ASSETS</b>			
Parks	2		
Works of art	1		
Historical interest	1		
Play areas	4		
Rights of use	2		
Public open spaces/displays	83		

**17  
Long  
Term  
Investments**

This includes investments in East Cambridgeshire Business Centres Ltd (see note 32)  
It also includes fixed term investments which have more than 1 year to run.

	31.03.09	31.03.08
	£	£
Investments in business	545,725	545,725
Fixed term investments	2,062,927	2,045,945
	-----	-----
	2,608,652	2,591,670
	=====	=====

**18  
Long  
Term  
Debtors**

	As at 31.03.09	As at 31.03.08
	£	£
Amounts falling due within one year		
Staff Car Loans	14,197	13,245
Capital Debtors Housing Loans	92,519	119,754
Sports/Recreation Loans	53,646	55,686
	-----	-----
	160,362	188,685
	-----	-----

**19  
Stock and  
w.i.p.**

Stock and work in progress have been valued for balance sheet purposes at the lower of realisable value or cost. These include items such as Trading stock and refuse sacks.

**20  
Debtors**

	As at 31.03.09	As at 31.03.08
	£	£
<b>Amounts falling due within one year</b>		
Local authorities	131,266	42,500
Government departments	758,312	404,284
Council tax payers	1,898,603	1,995,153
NNDR payers	180,272	148,487
Rent Allowance overpayments	527,514	466,783
Sundry debtors	705,896	307,186
Total	4,201,863	3,364,393
Less provision for bad debts	-1,157,794	-959,201
Total	3,044,069	2,405,192
	-----	-----

**NOTES TO THE CORE ACCOUNTS continued**

**Breakdown of Bad Debt Provision**

	As at 31.03.09 £	As at 31.03.08 £
Council tax payers	-715,692	-755,923
NNDR payers	-83,032	-72,800
Rent Allowance overpayments	-314,623	-93,356
Sundry debtors	-44,447	-37,122
	<u>-1,157,794</u>	<u>-959,201</u>

**21  
Creditors**

**Amounts falling due within one year**

	As at 31.03.09 £	As at 31.03.08 £
Local authorities	1,077,275	134,681
Government departments	902,688	932,062
Council tax payers	3,804	1,035,415
NNDR payers	67	69,421
Sundry creditors	569,108	546,906
Total	<u>2,552,942</u>	<u>2,718,485</u>

**22  
Borrowing**

The Council has repaid the long term PWLB Loan of £1,000,000 which was due for repayment in 2057 and a short term loan of £1,000,000.

**23  
Section 106  
Agreements**

This holds receipts of monies paid to the Council by developers resulting from the granting of planning permission where works are required to be carried out or new facilities provided as a result of that permission (e.g. improvement of public open spaces). The sums are restricted to be spent only in accordance with the agreement with the developer. There is no time limit in these agreements after which the monies should be returned.

The balances of section 106 receipts held by the Council during the year were as follows:-

	31.03.08 £	Income £	Expenditure £	31.03.09 £
Strategic Projects				
-Unallocated	58,611	0	0	58,611
-Leisure Centre	244,314	155,686	33,387	366,613
-Country Park	350,544	49,456	36,482	363,518
-Maltings Roof	180,000	0	180,000	0
Parishes	959,744	262,707	0	1,222,451
Small Villages	162,592	51,983	0	214,575
Affordable Housing	87,329	0	0	87,329
Lport Vhall Upgrade	12,000	0	0	12,000
Black Horse Drove Comm Cent.	55,000	0	0	55,000
Mepal Vhall Upgrade & Ext.	25,000	0	10,573	14,427
Sutton Transport	12,489	0	0	12,489
Ely Scout Hut	43,000	0	21,500	21,500
Soham Guide & Scout Hut	138,411	21,589	0	160,000
Open Spaces - Commuted Sums	8,822	1,190	59,465	-49,453
Other	59,380	0	23,064	36,316
				0
	<u>2,397,236</u>	<u>542,611</u>	<u>364,471</u>	<u>2,575,376</u>

**24  
Move-  
ments in  
Provisions  
or Reserves**

	As at 31.03.08 £	Net movement in year £	As at 31.03.09 £	Note
<i>PROVISIONS</i>				
Maintenance of amenity areas	-49,188	1,844	-47,344	(a)
Sport, recreation, etc grants	-6,468	0	-6,468	(b)
Historic building grants	-71,840	-26,691	-98,531	(b)
	<u>-127,496</u>	<u>-24,847</u>	<u>-152,343</u>	

**NOTES TO THE CORE ACCOUNTS continued**

**24  
Move-  
ments in  
Provisions  
or Reserves  
continued**

	As at 31.03.08	(Gains)/ Losses in year	Net amount transferred to/from other reserves	As at 31.03.09	
	£	£	£	£	
<i>RESERVES</i>					
Revaluation Reserve	0	0	-4,343,267	-4,343,267	k
Capital Adjustment Account	-14,726,067	0	2,063,976	-12,662,091	j
Financial Instruments adjustment account:	-20,000	0	20,000	0	l
Capital receipts reserve	-1,910,555	0	314,109	-1,596,446	p
Deferred capital receipts	-175,440	0	29,275	-146,165	m
Available-for-sale financial instruments reserve	0	0	0	0	c
Pensions reserve	5,731,000	3,458,000	0	9,189,000	q
Earmarked reserves	-426,634	-852,059	0	-1,278,693	
General Fund reserve	-1,626,263	551,750	0	-1,074,513	o
Collection Fund	-67,761	0	-71,509	-139,270	n
	<u>-13,221,720</u>	<u>3,157,691</u>	<u>-1,987,416</u>	<u>-12,051,445</u>	
<i>EARMARKED RESERVES</i>					
Building Control reserve	46,583	0	-46,583	0	d
Infrastructure reserve	0	0	-257,959	-257,959	e
Training	-13,400	0	13,400	0	f
District Elections reserve	0	0	-10,000	-10,000	g
Historic Grants	-38,070	0	38,070	0	f
Vehicle replacement reserve	-5,033	0	28,251	23,218	f
IT reserve	-14,965	0	14,965	0	f
Planning Delivery Grant reserve	-246,619	0	-85,940	-332,559	f
Sport & Rec consultants reserve	-10,400	0	10,400	0	f
Management Restructure	0	0	-185,313	-185,313	f
Car Parks	25,000	0	0	25,000	f
Asset Management reserve	-84,684	0	11,703	-72,981	h
Pension contributions reserve	-60,000	0	-40,000	-100,000	i
Best Value reserve	-9,891	0	9,891	0	f
LDF reserve	0	0	-119,860	-119,860	f
Contributions to Capital reserve	-15,155	0	-233,084	-248,239	f
	<u>-426,634</u>	<u>0</u>	<u>-852,059</u>	<u>-1,278,693</u>	

Notes

- (a) Amounts received which are used to fund the maintenance of amenity areas over a period of 15 years.
- (b) Grants committed by Committee which will be paid out over the next 2 years.
- (c) Records the unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.
- (d) Reserve created to hold any surplus from the Building Control function to be used solely on Building Control in any year that has a deficit.
- (e) Reserve created to fund the Council's expenditure in future years to maintain and develop the infrastructure of the District.
- (f) Reserves created to fund expenditure on delayed projects. See individual lines
- (g) Reserve to fund District Elections in required years.
- (h) Reserve to hold unused Asset Management budget so that the planned work can be funded as required.
- (i) Reserve created to help fund the Council's future Pension contribution requirements due to increases in rates.
- (j) This provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.
- (k) This records the unrealised revaluation gains arising since 1 April 2007 from holding assets.
- (l) Holds the balance of the provision for repayment of long term debt.
- (m) These are amounts due from loans given for capital expenditure, which will be received in instalments over agreed periods of time. They arise principally from mortgages on sale of council houses.
- (n) Accounts required to be kept by the Council to record all income collected from local taxpayers, showing how this is passed on to other local authorities and government organisations.
- (o) This balance is held for cash flow purposes and to support future revenue and capital spending.
- (p) Holds the proceeds of fixed asset sales available to meet future capital expenditure.
- (q) Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.

**NOTES TO THE CORE ACCOUNTS continued**

**25  
PWLB Loan**

The loan from the PWLB of £1,000,000 has been repaid and therefore does not show in the closing Balance Sheet figures. There was a premium due on the early repayment of £29,947.

**26  
Capital  
Contrib/grants  
Unapplied**

This account includes unspent capital contributions/grants received for projects that have not been used to finance expenditure in 2008/09. On completion of a project the grant will be transferred to the capital contributions/grants deferred account and a proportion credited to the Income and Expenditure account over the life of the asset.

	Balance 31.03.08 £	Received in year £	Transferred to Capital Contrib/grants Deferred Account £	Balance 31.03.09 £
Introduction of Electronic Government	251,387	0	0	251,387
Electronic Document Management	73,665	1,858	0	75,523
Other	6,058	-21,369	0	-15,311
	<u>331,110</u>	<u>-19,511</u>	<u>0</u>	<u>311,599</u>

**27  
Capital  
Contrib/grants  
Deferred**

This account reflects the deferred credit method of accounting for capital grants, required under Statement of Standard Accounting Practice (SSAP) 4. Grants or contributions received to meet capital expenditure are credited to this account and a proportion of the sum is released to the Income and Expenditure Account over a number of years in line with the depreciation of those Assets.

	Balance 31.03.08 £	Received Income £	Transferred to Income & Expenditure £	Balance 31.03.09 £
Malting roof	0	180,000	9,000	171,000
Public access	13,142	0	3,285	9,857
Network security	8,358	0	8,358	0
CRM	13,267	5,316	3,717	14,866
Electronic Document Management	0	4,000	1,000	3,000
E058GBZ (vehicle)	0	21,351	3,559	17,792
LK08OFP (vehicle)	0	13,771	1,530	12,241
Angel Drove car park	199,010	0	2,117	196,893
	<u>233,777</u>	<u>224,438</u>	<u>32,566</u>	<u>425,649</u>

**28  
Local  
Government  
Pension  
Scheme**

In accordance with Financial Reporting Standard No 17 - Retirement Benefits (FRS 17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in the note on pensions in the Accounting Policies the Council participates in the Local Government Superannuation Scheme which is administered by the Cambridgeshire County Council's Pension Fund. In addition the Council has liabilities for discretionary pension payments outside the main scheme.

In 2008/2009 the Council paid an employer's contribution of £653,568 (2007/2008 £550,096 @ 13.1%), representing 15.6% of employees pensionable pay into the Cambridgeshire County Pension Fund. The contribution rate is set to meet 100% of the pension fund's liabilities. The scheme provides members of the Fund with defined benefits related to pay and service. The contribution rate is determined by the Fund's actuary, based on triennial valuations. The last review took place on 31 March 2007.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Our actuary has allowed for 25% of future retirements to elect to take this additional payment.

The actuary has made allowance for the removal of the "Rule of 85" for new entrants from 1 October 2006, to the extent that any such new entrants were included in the membership data for the formal valuation at 31 March 2007. No allowance is made for the effect of the abolition of the "Rule of 85" for new entrants since 31 March 2007.

In addition to the above the Council is responsible for all pension payments relating to added years' benefits it has awarded together with the related increases. In 2008/2009, these amounted to £102,901 (2007/2008 £98,845), representing 2.46% of pensionable pay.

The capital cost of these discretionary increases in pensions payments agreed by the authority is:-

Current year decisions	£10,126
Earlier year decisions for which payments are still being made	£1,027,000

**Participation in pension schemes**

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Cambridgeshire County Council. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

**Change of accounting policy**

Under the 2008 SORP the council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £21,860,000 to £21,751,000, a decrease of £109,000, resulting in an increase of the pension fund deficit of £109,000 (31 March 2007 increase of £113,000). Current and prior year surplus have been unaffected by this change.

## NOTES TO THE CORE ACCOUNTS continued

**28  
Local  
Government  
Pension  
Scheme  
continued**

### Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement in the General Fund Balance. The following transactions have been made in the I & E A/C and Statement of Movement in the General Fund Balance during the year:-

	2008/2009 £000's	2007/2008 £000's as restated
Net cost of services:		
Current service cost	(530)	(793)
Past service costs	(240)	0
Net Operating Expenditure:		
Interest cost	(1897)	(1556)
Expected return on assets in the scheme	1530	1616
Net charge to the Income & Expenditure Account	(1137)	(733)
Statement of Movement in the General Fund Balance:		
Reversal of net charges made for retirement benefits in accordance with FRS 17	391	106
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to the scheme	746	627

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £3,067,000 (£713,000 gain 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £4,693,000.

### Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the funded scheme liabilities		
	2008/2009 £000's	2007/2008 £000's
1 April	27,482	28,860
Current service cost	530	793
Interest cost	1,897	1,556
Contributions by scheme participants	286	254
Actuarial losses/(gains)	-2,587	-2,852
Past service costs/(gains)	240	0
Estimated unfunded benefits paid	-80	-76
Estimated benefits paid	-945	-1,053
31 March	26,823	27,482
Reconciliation of fair value of the funded scheme assets		
	2008/2009 £000's	2007/2008 £000's
1 April	21,751	22,522
Expected rate of return	1,530	1,616
Contributions by scheme participants	286	254
Employer contributions	666	551
Contributions in respect of unfunded benefits	80	76
Actuarial gains/(losses)	-5,654	-2,139
Unfunded benefits paid	-80	-76
Benefits paid	-945	-1,053
31 March	17,634	21,751

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 -£4,145,000 (-£1,139,000 2007/08)

**NOTES TO THE CORE ACCOUNTS continued**

**28  
Local  
Government  
Pension  
Scheme  
continued**

**Scheme history**

	2004/2005 as restated £000's	2005/2006 as restated £000's	2006/2007 as restated £000's	2007/2008 as restated £000's	2008/2009 £000's
Present values of liabilities	-23,948	-28,670	-28,860	-27,482	-26,823
Fair value of assets	16,839	20,880	22,522	21,751	17,634
Surplus/(deficit)	-7,109	-7,790	-6,338	-5,731	-9,189
Experience gains/(losses) on liabilities	-1,034	-16	11	-1,805	75
Above, as a percentage of present value of liabilities	4.32%	0.06%	-0.04%	6.57%	-0.28%
Experience gains/(losses) on assets	817	2,987	215	-2,139	-5,654
Above, as a percentage of fair value of assets	4.85%	14.31%	0.95%	-9.83%	-32.06%

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £27m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £9m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contribution expected to be made to the scheme by the council in the year to 31 March 2010 is £784,000.

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, the independent actuaries. Estimates for the fund are based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	2008/2009	2007/2008
Long-term expected rate of return on assets in the scheme		
Equity investments	7.0%	7.7%
Bonds	5.6%	5.7%
Property	4.9%	5.7%
Other	4.0%	4.8%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	19.6	19.6
Women	22.5	22.5
Longevity at 65 for future pensioners		
Men	20.7	20.7
Women	23.6	23.6
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	25%	25%

The scheme's assets consist of the following categories, by proportion of the total assets held.

	2004/2005 %	2005/2006 %	2006/2007 %	2007/2008 %	2008/2009 %
Equity investments	74	75	74	69	64
Bonds	13	13	11	13	17
Property	10	9	13	12	10
Other	3	3	2	6	9
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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.

**NOTES TO THE CORE ACCOUNTS continued**

**29  
Move-  
ments in  
Capital  
Reserves**

<b>Revaluation Reserve</b>	<b>2008/2009</b>	<b>2007/2008</b>
	£	£
Opening balance	0	0
Surplus on revaluation and restatement of fixed assets	-4,395,476	-3,000
Difference between Current Value Depreciation and Historic Depreciation	52,209	0
Disposal/revaluation of fixed assets	0	3,000
	-----	-----
	-4,343,267	0
	=====	=====

The revaluation reserve records unrealised revaluation gains arising since 1 April 2007 from holding fixed assets.

<b>Capital adjustment account:</b>	<b>2008/2009</b>	<b>2007/2008</b>
	£	£
Balance at beginning of year	-14,726,067	-14,208,447
Revaluations	0	0
Capital financing in year - capital receipts	-530,658	-1,158,307
Capital financing in year - revenue	-652,147	-879,709
Reversal of depreciation	633,724	751,690
Reversal of impairment	1,287,874	0
Write down of Rev exp funded from capital	1,068,531	757,292
Difference between Current Value Depreciation and Historic Depreciation	-52,209	0
Government Grants Deferred amortisation	-32,566	0
Adjustment of funding	190,854	0
Other adjustments	-8,635	0
Carrying value of fixed assets disposed of	159,208	11,414
	-----	-----
	-12,662,091	-14,726,067
	=====	=====

The Capital adjustment account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

<b>Capital receipts reserve:</b>	<b>2008/2009</b>	<b>2007/2008</b>
	£	£
Balance at beginning of year	1,910,555	2,918,199
Capital receipts in year	223,995	167,907
Less:		
Pooling of Housing Capital Receipts	-7,446	-17,242
Capital receipts used for financing	-530,658	-1,158,309
	-----	-----
	-538,104	
	-----	-----
Balance at end of year	£1,596,446	£1,910,555
	=====	=====

The capital receipts reserve represents the capital receipts available to finance capital expenditure in future years or to repay debt.

<b>Financial Instruments adjustment account:</b>	<b>2008/2009</b>	<b>2007/2008</b>
	£	£
Balance at beginning of year	-20,000	0
MRP provision	20,000	-20,000
	-----	-----
Balance at end of year	0	-20,000
	=====	=====

**NOTES TO THE CORE ACCOUNTS continued**

**30  
Net Assets  
Employed**

	31.03.09	31.03.08
	£	£
General Fund - revenue	-1,074,513	-1,626,263
Earmarked reserves	-1,278,693	-426,634
General Fund - capital	-18,747,969	-16,832,062
Collection Fund	-139,270	-67,761
Pensions reserve	9,189,000	5,731,000
	<u>-12,051,445</u>	<u>-13,221,720</u>

**31  
Valuation  
of Fixed  
Assets**

The freehold and leasehold properties which comprise the Council's property portfolio were revalued as at 1 April 2004 by an external independent valuer, R G Bunnett FRICS, Carter Jonas Property Consultants, on the basis shown in the Accounting policies in accordance with the Statements of Asset Valuation Practice and Guidance notes published by the Royal Institution of Chartered Surveyors, so far as these were consistent with the council's requirements. Assets acquired or substantially altered have been valued or revalued as appropriate.

Due to the current economic climate many of the Council's assets have been revalued by Carter Jonas during the year to give a more realistic value in the accounts.

The valuer carries out inspections, makes local enquiries, and obtains such further information as he considers relevant for his purpose. The sources of information and assumptions made in producing the valuations are set out in valuation certificates and reports, which are prepared specifically for capital accounting purposes only.

The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

The following table shows the progress of the council's programme for the revaluation of fixed assets.

	Community Assets	Infra- structure Assets	Operational Land and buildings	Vehicles, Equipment, Intangibles	Total
	£	£	£	£	£
Valued at historical cost	520,523	663,459		674,435	1,858,417
Valued at current value in:-					
2004/2005			3,931,052		3,931,052
2005/2006			0		0
2006/2007			88,000		88,000
2007/2008			0		0
2008/2009			9,228,858		9,228,858
	<u>520,523</u>	<u>663,459</u>	<u>13,247,910</u>	<u>674,435</u>	<u>15,106,327</u>

	Investment Assets	Surplus Assets	Total
	£	£	£
Valued at current value in:-			
2004/2005	1,951	439,403	441,354
2005/2006	0	0	0
2006/2007	0	0	0
2007/2008	0	341,731	341,731
2008/2009	585,000	197,214	782,214
	<u>586,951</u>	<u>978,348</u>	<u>1,565,299</u>

**32  
Related  
Companies**

The Council fully owns East Cambridgeshire Business Centres Limited.

The aim of the business is the promotion of economic development by providing a Managed Workspace Centre. This contains small business units and associated common facilities for new and very small businesses. The shared facilities help to reduce the costs of the businesses as it saves them having to purchase equipment and provides meeting/training rooms.

The workspaces are let on a short term basis to allow them to expand or contract as necessary without being locked into a long term tenancy agreement.

Group Accounts have been produced in full for 2008/2009.

The net assets of the company at 31 March 2009 were £509,473 (31 March 2008 £619,100)

The company made a deficit of £19,267 before tax in the year (2007/2008 surplus £994)

Copies of the accounts for East Cambridgeshire Business Centres Limited can be obtained from:-

The Grange  
Nutholt Lane  
Ely Cambs

## NOTES TO THE CORE ACCOUNTS continued

### 33 Assets held under leases

Finance leases:-

The Council does not have any finance leases.

Operating leases:-

Lessor:-

The Council is lessor of a number of properties.

The aggregate rentals receivable in the year 2008/2009 in relation to operating leases was £298,750 (2007/2008 £360,123)

The gross amounts of assets held which are leased out by the council on operating leases was £6,261,991 (2007/2008 £7,113,698) and the related accumulated depreciation charges were £1,247,018 (2007/2008 £1,535,390)

Lessee:-

The Council holds some assets under operating leases.

Lease of Cresswells Car Park £20,000 per year.

There are also assets such as photocopiers and drinks/snacks dispensers. The values of these leases are not material to the accounts.

### 34 Insurance Provisions

The Council covers all known material insurable risks externally. The Council's accounts do not include specific provision for unfunded insurable risks.

### 35 PBSE

There are no material post balance sheet events to reflect in the financial statements up to the time the accounts were authorised at Policy & Resources Committee on 23 June 2009.

At the time of the Audit opinion being given the following post balance sheet event had occurred.

There were six properties valued in the current year's (2009/10) rolling revaluation exercise that cumulatively had a £1,531k increase in value as at 1 April 2009, the largest of which were Paradise Pool (£495k increase) and Oliver Cromwell House (£719k increase). To comply with the SORP, these assets needed to be adjusted for 2008/09, as it was significant new information to suggest that the assets were materially undervalued as at 31 March 2009. The accounts have now been amended to reflect the new values.

### 36 Contingent Liabilities

There is a potential claim against the Council as part of a specific performance for Landlord repairs relating to Cemetery Lodge, Ely of between £100k-£130k.

There is an outstanding planning inquiry which if the Council loses could result in costs of around £20k.

There are no contingent assets at the Balance Sheet date.

### 37 Trust and Third Party Funds

There were no material trust funds or other third party funds administered by the Council during the year.

### 38 Related Party Balances

There were no known material transactions with related parties when the accounts were produced that are not disclosed elsewhere in the accounts.

See note 44 for Government Grants received and notes 20 and 21 for Other Local Authority Debtors and Creditors figures.

**NOTES TO THE CORE ACCOUNTS continued**

**39  
Reconciliation  
of surplus to  
net cash flow**

	2008/2009		2007/2008
	£	£	£
Deficit/(Surplus) from Income & Expenditure Account	2,582,762		453,782
Deficit/(Surplus) from Collection Fund	<b>-571,763</b>		<b>-649,863</b>
		2,010,999	<b>-196,081</b>
<b>NON-CASH TRANSACTIONS</b>			
depreciation/impairment	<b>-1,921,598</b>		<b>-757,104</b>
movement on provisions	<b>-4,848</b>		<b>-4,472</b>
writedown of amounts treated as Revenue in accordance with the SORP but which are classified as Capital expenditure by statute	<b>-1,325,128</b>		<b>-743,502</b>
FRS17 adjustment	<b>-391,000</b>		<b>-106,000</b>
gain/(loss) on disposal of fixed assets	<b>-159,208</b>		<b>94,022</b>
		<b>-3,801,782</b>	<b>-1,517,056</b>
<b>ITEMS ON AN ACCRUAL BASIS</b>			
increase/(decrease) in stocks	<b>-23,805</b>		13,354
increase/(decrease) in debtors/investment interest accrued	870,900		102,333
decrease/(increase) in creditors/borrowing interest accrued	378,109		<b>-1,610,252</b>
		1,225,204	<b>-1,494,565</b>
<b>ITEMS CLASSIFIED IN ANOTHER CLASSIFICATION IN THE CASH FLOW STATEMENT</b>			
less: investment income (net)	<b>600,574</b>		<b>857,112</b>
		600,574	<b>857,112</b>
Net cash flow from revenue activities		34,995	<b>-2,350,590</b>

**40  
Movement in  
cash and cash  
equivalents**

	31.03.08	Movement 2008/2009	31.03.09
	£	£	£
Short term investments repayable on demand	0	0	0
Cash (overdrawn) or in hand at bank	-875,278	496,247	-379,031
	<b>-875,278</b>	<b>496,247</b>	<b>-379,031</b>

**41  
Movement  
in liquid  
resources**

	31.03.08	Movement 2008/2009	31.03.09
	£	£	£
Short term investments	9,503,087	-3,600,837	5,902,250
Interest accrued on investments	117,250	224,533	341,783
	<b>9,620,337</b>	<b>-3,376,304</b>	<b>6,244,033</b>

**42  
Liquid  
resources**

Liquid resources are short term deposits for a period up to 1 year.

**43  
Further  
narrative or  
analysis**

The cash flow statement summarises the inflows and outflows of cash arising from the transactions with third parties for both revenue and capital purposes.

**NOTES TO THE CORE ACCOUNTS continued**

**44  
Analysis of  
Government  
grants**

	2008/2009		2007/2008
	£	£	£
Housing benefit administration subsidy	301,577		301,577
Council tax benefit administration subsidy	<u>179,589</u>	481,166	<u>175,155</u> 476,732
Housing Acts - grants towards debt charges:			
Defective housing:			
repurchases	0		0
reinstatements	<u>9,492</u>	9,492	<u>42,582</u> 42,582
Total "Other government grants"		490,658	519,314
Housing/Council Tax Benefits			
Current Year	16,232,604		15,443,438
Previous Year Final Payment	<u>-324,003</u>		<u>278,914</u>
		15,908,601	15,722,352
Revenue Support Grant		810,207	937,251
Distribution from national non-domestic rating pool		5,820,113	5,584,836
Area Based Grant		22,500	0
Capital grants:			
Housing Capital Grant Pot	89,600		97,528
Housing improvements, conversion, or repairs	210,000		178,000
		299,600	275,528
Total Government grants		<u>23,351,679</u>	<u>23,039,281</u>

## NOTES TO THE CORE ACCOUNTS continued

### 45 Financial Instruments

Financial Instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

This includes borrowing, investments and loans.

Long term borrowing is with PWLB and is held at amortised cost .

Short term borrowing is held at amortised cost.

Investments are held in the Balance Sheet at carrying value as there is deemed to be no risk of loss for these investments.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories:-

	Long - Term		Current	
	As at 31.03.08 £000s	As at 31.03.09 £000s	As at 31.03.08 £000s	As at 31.03.09 £000s
Financial liabilities at amortised cost	-1,011	0	-3,910	-2,206
Total borrowings	-1,011	0	-3,910	-2,206
Loans and receivables	2,235	2,223	10,387	7,250
Available-for-sale financial assets	546	546	0	0
Total investments	2,781	2,769	10,387	7,250

Financial liabilities and financial assets represented by borrowings and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

- ◆ There were no long or short term borrowings at the year end so no estimated rates were needed.
- ◆ No early repayment or impairment is recognised
- ◆ Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount
- ◆ Available for sale assets relates to the long term investment in East Cambridgeshire Business Centres Limited (see note 25 for more detail). This is held at carrying value as there is no quoted market price so the calculation of a fair value would be unreliable.  
The carrying amount at 31 March 2009 was £545,725.  
There are no plans to dispose of this financial instrument as the business was created to provide a service to the area and is still a fundamental part of the Councils' service provision.

#### Financial Instruments at Fair Value and Amortised Cost

	31 March 2009		31 March 2008	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial liabilities	-2,206	-2,206	-4,921	-4,945
Loans and receivables	9,473	9,473	12,622	12,622

**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 authority
- ◆ liquidity risk - the possibility that the authority might not have the funds available to meet its commitments to make payments
- ◆ market risk - the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The authority'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 a treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are only made with banks and financial institutions that satisfy the required level of ratings at the time as notified by Sector, the Council's treasury advisors. Some institutions are limited to short term lending up to 3 months. The maximum amount that can be lent to one institution at any particular time is £3m.

In light of the above investment strategy, the Council does not consider there to be any quantifiable credit risk in relation to its investments as at 31 March 2009.

In relation to sums owed by the Council's customers and contractual debtors, prudent provision is made for bad debts based on an assessment of the risks for each type of debt and age of those debts. An analysis of the Council's potential maximum exposure to credit risk in relation to debtors can be found at note 45.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £2.157m of the £4.202m is past its due date for payment. The past due amount can be analysed by age as follows:

	£000's
Less than 3 months	24
3 to 6 months	5
6 months to 1 year	802
More than 1 year	1,326
	2,157

**Liquidity risk**

As the authority has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to meet its commitments under financial instruments.

All financial liabilities as at 31 March 2009 are due within one year. As there are no long term liabilities there is currently no need to make a provision for repayment. Therefore, there is no current risk of having to borrow at unfavourable rates in the future to replenish borrowings.

## NOTES TO THE CORE ACCOUNTS continued

### 45 Financial Instruments continued

#### Market risk - Interest rate risk exposure

The Council is exposed to minimal risk in respect of adverse interest rate movements in its investments, because all of its investments are at fixed rates.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget on a quarterly basis during the year. This allows any adverse changes to be taken into consideration. The analysis will also advise whether new borrowing taken out is fixed or variable and short term or longer.

A rise in interest rates would have the following effects:

- ◆ borrowings at variable rates - the interest expense charged to the Income & Expenditure Account will rise
- ◆ borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- ◆ investments at variable rates - the interest income credited to the Income & Expenditure Account will rise
- ◆ investments at fixed rates - the fair value of the assets will fall

A fall in interest rates would create the reverse effect.

If interest rates had been 1% higher with all other variables held constant, the financial effect in 2008/09 would have been a reduction in fair value of the fixed rate investments of £146,528.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account.

#### Market risk - price

The authority invests in shares in 1 company to provide a local service. There is no intention to sell these shares and there is no other source of valuation of them so the risk is minimal.

#### Market risk - foreign exchange

The Council has no financial assets or liabilities in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

#### Financial Instruments gains and losses

The gains and losses recognised in the Income & Expenditure Account and Statement of Recognised Gains & Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total £000's
	Liabilities measured at amortised cost £000's	Loans & receivables £000's	Available for sale assets £000's	
Interest payable and similar charges	-68	0	0	-68
Impairment losses	-30	0	0	-30
Interest and investment income	0	906	0	906
Net gain/(loss) for the year	-98	906	0	808

**COLLECTION FUND ACCOUNTS 2008/2009**

Revenue Account	Note	2008/2009		2007/2008
		£	£	£
<b>Income</b>				
Income from Council Tax	b	35,360,052		33,003,910
Transfers from General Fund				
Council Tax Benefits		3,649,230		3,400,400
Transitional Relief		337		2,447
Income collectable from				
business ratepayers	a	15,709,007		14,341,706
Contributions towards previous				
years' Collection Fund deficit		0		254,821
		-----		-----
			54,718,626	51,003,284
			-----	-----
<b>Expenditure</b>				
Precepts and demands				
Cambridgeshire County Council		27,610,902		25,783,349
Cambridgeshire Police Authority		4,423,734		4,130,910
Cambridgeshire Fire & Rescue		1,535,490		1,448,307
East Cambridgeshire District Council		4,839,170		4,579,269
Business rate				
Payment to national pool		15,614,885		14,248,318
Costs of collection		94,122		93,388
Bad and doubtful debts / appeals				
Write offs		-1,849		-892
Provisions		30,409		70,772
Contributions				
towards previous years'				
Collection Fund surplus		0		0
		-----		-----
			54,146,863	50,353,421
			-----	-----
<b>Movement on Fund balance</b>				
(Surplus) deficit for year			-571,763	-649,863
			-----	-----
<b>Collection Fund Reserve Balance</b>				
Collection Fund deficit (surplus) at 1 April			-533,553	116,310
Movement on Fund balance in year			-571,763	-649,863
			-----	-----
Collection Fund (surplus) deficit at 31 March			-1,105,316	-533,553
			-----	-----

## NOTES TO THE COLLECTION FUND ACCOUNTS

### General

### Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands using estimated April 1991 valuations for this purpose. Individual charges are calculated by aggregating the requirements of Cambridgeshire County Council, Cambridgeshire Police Authority, Cambridgeshire Fire & Rescue Authority and East Cambridgeshire District Council. The basic amount for a 2008/09 Band D property, being £1,316.25 (2007/08 £1,255.59), is multiplied by the proportion specified for the particular band to give an individual amount due, to which must be added any Parish precept.

#### a. National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2009 was £39,417,325 (31 March 2008 £39,098,240). The national non-domestic rate multiplier for 2008/2009 was 45.8p (2007/2008 44.1p).

#### b. Council Tax base

The calculation of the council tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings is as follows:

	2008/2009	2007/2008
<i>Band</i>	<i>Equivalent number of dwellings</i>	<i>Equivalent number of dwellings</i>
A	2,148	2,071
B	6,758	6,616
C	5,405	5,271
D	6,013	5,944
E	4,479	4,392
F	2,380	2,358
G	893	883
H	124	115
O	0	0
	28,200	27,650

#### c. Precepts and demands

The names of the authorities which made a significant precept or demand on the fund and the amount included for each were as follows:

	2008/2009	2007/2008
	£	£
Cambridgeshire County Council	27,610,902	25,783,349
Cambridgeshire Police Authority	4,423,734	4,130,910
Cambridgeshire Fire & Rescue	1,535,490	1,448,307
East Cambridgeshire District Council	4,839,170	4,579,269

#### d. Surplus/deficit on the Fund

The balance on the Collection Fund is split between the relevant authorities and the debtor/creditor is included on the Balance Sheet for the external authorities and the figure for this Council is shown alongside the General Fund Balance

	2008/2009	2007/2008
	£	£
Cambridgeshire County Council	-794,722	-383,091
Cambridgeshire Police Authority	-127,111	-61,359
Cambridgeshire Fire & Rescue	-44,213	-21,342
East Cambridgeshire District Council	-139,270	-67,761
Total Deficit/(surplus)	-1,105,316	-533,553

## GROUP ACCOUNTS 2008/2009

In accordance with the Code of Practice, the Council is required to produce a Group Income and Expenditure Account, Group Balance Sheet, Group Cashflow Statement, and a Group Statement of Total Movement in Reserves and a Group Statement of Recognised Gains & Losses. The purpose of the group financial statements is to show the overall financial position and the results of the District Council.

### Valuation of Fixed Assets

The Council's operational property is held at open market value  
East Cambridgeshire Business Centres Limited Land and Buildings are held at current net value of £519,424 with depreciation to date of £24,216 and a Revaluation Reserve total of £105,235  
All buildings are being depreciated over their estimated life.

The group financial statements have been produced on the "acquisition" method of consolidation, in accordance with the accounting policy on page 8. The Council's own accounts have been amended to include the subsidiary's figures and are shown as the following Group Accounts.

The Council has only one statutory investment in the East Cambridgeshire Business Centres Limited as described in note 32 to the core accounts.

The net assets are:-

2008-2009		2007-2008	
Total Net Assets	Incorporated in Group Accounts 100%	Total Net Assets	Incorporated in Group Accounts 100%
£	£	£	£
509,473	509,473	619,100	619,100

The net profit/(loss) after taxation are:-

2008-2009		2007-2008	
Total Net Profit/(Loss)	Incorporated in Group Accounts 100%	Total Net Profit/(Loss)	Incorporated in Group Accounts 100%
£	£	£	£
-19,267	-19,267	-729	-729

**GROUP INCOME AND EXPENDITURE ACCOUNT 2008/2009**

	2008/2009			2007/2008
	Expenditure	Income	Net	
	£	£	£	£
<b>Income and Expenditure</b>				
Central Services to the public	5,156,286	-4,379,660	776,626	805,298
Cultural & Related	1,996,128	-254,905	1,741,223	1,490,441
Environmental	5,149,109	-577,384	4,571,725	4,100,305
Planning & Development	3,445,750	-1,835,170	1,610,580	1,435,346
Transport	884,138	-271,276	612,862	599,675
Housing	15,203,197	-13,973,576	1,229,621	956,496
Corporate & Democratic Core	2,194,189	-523,640	1,670,549	1,599,543
Non Distributed Costs	737,779	0	737,779	54,292
	-----	-----	-----	-----
<b>NET COST OF SERVICES</b>	<b>34,766,576</b>	<b>-21,815,611</b>	<b>12,950,965</b>	<b>11,041,396</b>
Parish council precepts			1,291,070	1,224,769
Internal Drainage Board Levies			302,725	289,685
Loss/(gain) on the disposal of fixed assets			159,208	-94,022
Contribution of housing capital receipts to Govt. Pool			7,446	17,242
Interest payable and similar charges			68,008	30,927
Interest and Investment Income			-907,055	-820,292
Pensions interest cost			1,897,000	1,556,000
Expected return on pension assets			-1,530,000	-1,616,000
Corporation Tax			0	1,723
			-----	-----
<b>NET OPERATING EXPENDITURE</b>			<b>14,239,367</b>	<b>11,631,428</b>
Minority Interest			0	0
			-----	-----
<b>NET EXPENDITURE</b>			<b>14,239,367</b>	<b>11,631,428</b>
<b>Financing of net revenue expenditure</b>				
Income from Collection Fund			-4,839,170	-4,546,407
Distribution from the non-domestic rate pool			-5,820,113	-5,584,836
General Government Grants				
Revenue Support Grant			-810,207	-937,251
Area Based Grant			-22,500	0
LABGI			-145,348	-108,423
			-----	-----
<b>DEFICIT/(SURPLUS) FOR THE YEAR</b>			<b>2,602,029</b>	<b>454,511</b>
			=====	=====

## RECONCILIATION OF THE COUNCIL SURPLUS/DEFICIT TO THE GROUP POSITION 2008/2009

	2008/2009	2007/2008
	£	£
(Surplus)/deficit for the year on the Income & Expenditure Account	2,582,762	453,782
Less subsidiary dividend or distribution	0	0
	2,582,762	453,782
(Surplus) or deficit of the subsidiary	19,267	729
Group Account (surplus)/deficit for the year	2,602,029	454,511

## GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES 2008/2009

	2008/2009	2007/2008
	£	£
Net (surplus) or deficit for the year	2,602,029	454,511
(Surplus) or deficit on revaluation of fixed assets	-4,317,618	-195,595
Actuarial (gains) or losses on pension fund assets and liabilities	3,067,000	-709,000
Any other recognised (Gains)/Losses	-71,509	-76,531
Total recognised (gains)/losses for the year	1,279,902	-526,615

## GROUP BALANCE SHEET AS AT 31 MARCH 2009

	2008/2009		2007/2008	
	£	£	£	£
<b>Assets</b>				
Intangible Fixed Assets		59,675	59,675	94,673
Tangible Fixed Assets				
Operational				
Community		520,523		513,854
Infrastructure		663,459		410,917
Land and buildings		13,767,334		11,046,740
Vehicles		150,621		102,565
Equipment		523,814		687,905
			15,625,751	12,761,981
Non-operational				
Surplus assets, held for disposal		978,348		885,111
Investment Properties		586,951		907,335
			1,565,299	1,792,446
Long Term Investments		2,112,488		2,095,506
Long-term debtors		98,422		126,745
			2,210,910	2,222,251
Total long-term assets			19,461,635	16,871,351
Current assets				
stocks and work in progress		44,786		68,591
debtors	4,206,937			3,378,940
bad debt provisions	-1,220,548	2,986,389		-1,022,331
bank balance		127,058		0
investments		6,244,033		9,620,337
			9,402,266	12,045,537
<b>Liabilities</b>				
Current liabilities				
creditors		-2,570,331		-3,207,983
short term borrowing		0		-1,000,760
section 106 agreements		-2,575,376		-2,397,236
receipts in advance		-1,195,818		-786,837
bank overdraft		-379,031		-744,689
			-6,720,556	-8,137,505
Total assets less current liabilities			22,143,345	20,779,383
Provisions		-152,343		-127,496
Long term borrowing		0		-1,011,344
Capital contributions/govt grants unapplied		-311,599		-564,887
Capital contributions/govt grants deferred		-425,649		0
Defined benefit pension scheme liability		-9,189,000		-5,731,000
			-10,078,591	-7,434,727
Total assets less liabilities			12,064,754	13,344,656
<b>Balances &amp; Reserves</b>				
Revaluation reserve		-4,448,502		-195,595
Capital adjustment account		-12,662,091		-14,726,067
Financial instruments adjustment account		0		-20,000
Useable capital receipts reserve		-1,596,446		-1,910,555
Deferred credits		-146,165		-175,440
Available-for-sale financial instruments reserve		0		0
Pensions reserve		9,189,000		5,731,000
Earmarked reserves		-1,278,693		-426,634
Balances:				
- general fund		-1,074,513		-1,626,263
- collection fund		-139,270		-67,761
- (profit)/loss on group entity		91,926		72,659
Group Balances and Reserves			-12,064,754	-13,344,656
Minority Interests			0	0
Total equity			-12,064,754	-13,344,656

## GROUP CASH FLOW STATEMENT 2008/2009

	2008/2009		2007/2008
	£	£	£
Net Cash Inflow from Revenue Activities		39,736	-2,246,256
<u>Returns on Investments and Servicing of Finance</u>			
- Interest paid	65,736		26,841
- Interest received	<u>-667,520</u>		<u>-887,650</u>
		-601,784	-860,809
Taxation		0	1,723
<u>Capital Expenditure and Financial Investment</u>			
- Purchase of fixed assets	396,321		1,295,903
- Purchase of long term investments	10,659		2,017,515
- Sale of fixed assets	-15,956		-121,147
- Capital grants received	-299,600		-275,528
- Other capital cash received	-26,892		-62,880
- Other capital cash payments	<u>1,605,636</u>		<u>997,574</u>
		1,670,168	3,851,437
<b>NET CASH INFLOW BEFORE FINANCING</b>		<u>1,108,120</u>	<u>746,095</u>
Net increase/(decrease) in short term deposits	-3,600,836		1,424,568
Repayments of amounts borrowed/New loans raised	<u>2,000,000</u>		<u>-2,000,000</u>
		-1,600,836	
<b>NET (INCREASE)/DECREASE IN CASH</b>		<u><u>-492,716</u></u>	<u><u>170,663</u></u>
<b>Reconciliation of group surplus to net cash flow</b>			
	2008/2009		2007/2008
	£	£	£
Deficit/(Surplus) from Income & Expenditure Account	2,602,029		454,511
Deficit/(Surplus) from Collection Fund	<u>-571,763</u>		<u>-649,863</u>
		2,030,266	-195,352
<b>NON-CASH TRANSACTIONS</b>			
depreciation/impairment	-1,934,553		-770,060
movement on provisions	-4,848		-4,472
written down of amounts treated as Revenue in accordance with the SORP but which are classified as Capital	-1,325,128		-743,502
FRS17 adjustment	-391,000		-106,000
gain/(loss) on disposal of fixed assets	<u>-159,208</u>		<u>94,022</u>
		-3,814,737	-1,530,012
<b>ITEMS ON AN ACCRUAL BASIS</b>			
increase/(decrease) in stocks	-23,805		13,354
increase/(decrease) in debtors/investment interest accrued	867,786		89,220
decrease/(increase) in creditors/borrowing interest accrued	<u>378,441</u>		<u>-1,484,282</u>
		1,222,422	-1,381,708
<b>ITEMS CLASSIFIED IN ANOTHER CLASSIFICATION IN THE CASH FLOW STATEMENT</b>			
less: investment income (net)	<u>601,785</u>		<u>860,816</u>
		601,785	860,816
Net cash flow from revenue activities		<u><u>39,736</u></u>	<u><u>-2,246,256</u></u>

## GLOSSARY OF TERMS

<b>Actuarial Gains &amp; Losses</b>	For a defined pension benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation or the actuarial assumptions have changed.
<b>Balances</b>	Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied, at the discretion of the Council, to reduce future demands on the Collection Fund or to meet unexpected costs. Balances on holding accounts and provisions are available to meet expenditure in future years without having an adverse effect on revenue expenditure.
<b>Budget</b>	A statement of the Council's income and expenditure plan over a specified period, for example the annual revenue budget which, besides being expressed in financial terms, may include other physical data, e.g. manpower resources.
<b>Capital Charges</b>	Charges made to revenue accounts as part of the running costs of each service to reflect the value of the fixed assets used in providing the service.
<b>Capital Expenditure</b>	Money spent on providing assets of long-term value, e.g. land, buildings and equipment, or on making grants towards such expenditure.
<b>Capital Financing</b>	A global term covering the sources of money to pay for capital spending, e.g. borrowing, sales of fixed assets, grants, developers' contributions, leasing, and revenue monies.
<b>Capital Receipts</b>	Money raised from the sale of fixed assets, e.g. land. Some other receipts, e.g. Housing Association Grant (HAG), and some loan repayments have to be treated as capital receipts.
<b>Community Assets</b>	Fixed assets that the Council intends to hold in perpetuity which have no determinable useful life and which will often have restrictions on their disposal, e.g. parks or historic buildings.
<b>Current Assets</b>	The day-to-day working assets of the Council, e.g. stores, cash, bank balances, and debtors.
<b>Current Liabilities</b>	Amounts which will or could become payable in the immediate future, e.g. unpaid bills ("creditors"), bank overdrafts.
<b>Current Service Cost</b>	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
<b>Deferred Charges</b>	Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets.
<b>Defined Benefit Scheme</b>	A pension scheme that defines the benefits independently of the contributions payable
<b>Depreciation</b>	The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.
<b>Financial Instrument</b>	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
<b>General Fund</b>	The main revenue account of the Council. All the running costs and related income pass through this Fund.
<b>Government Grants</b>	Grants made by central government towards Council spending. They may be specific e.g. housing benefit subsidy, or general e.g. revenue support grant.
<b>Housing Advances</b>	Sometimes referred to as Housing Act Advances, or HAA. These are loans made to individuals by the Council towards the cost of acquiring or improving their homes.

## GLOSSARY OF TERMS

<b>Housing Benefit</b>	A social security benefit administered by the Council which is intended to help claimants to meet their rent liability.
<b>Impairment</b>	The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the Balance Sheet.
<b>Infrastructure Assets</b>	Fixed assets that are invaluable, expenditure on which is recoverable only by continued use of the asset. An example would be footpaths
<b>Interest Cost</b>	For a defined pension benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
<b>Minimum Revenue Provision</b>	The minimum amount which must be charged to the authority's revenue accounts each year and set aside for debt repayment as required by the Local Government and Housing Act 1989.
<b>Multiplier</b>	The term used in relation to business rates to describe the number of pence in the pound (set by central government) to be multiplied by the rateable value of a property to work out the amount due.
<b>Past Service Cost</b>	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
<b>Precepts</b>	The levy made on a billing authority by a Precepting Authority, requiring collection of income from council taxpayers on their behalf.
<b>Precepting Authority</b>	Those authorities that are not Billing Authorities ie. do not collect council tax and non domestic rate. County Councils are "major precepting authorities" and parish, community and town councils are "local precepting authorities".
<b>PWLB</b>	The Public Works Loan Board is a central government agency which provides long and short term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.
<b>Reserves</b>	Money held for some broadly specific purpose, e.g. contingencies, but in respect of which no specific commitment has been made.
<b>Revenue Expenditure</b>	Recurring expenditure on day-to-day expenses e.g. employees, running costs of buildings and equipment. Any spending which is not capital expenditure. Sometimes called current expenditure.
<b>Revenue Support Grant</b>	The main annual grant paid by central government. It is intended to meet a proportion of the total local authority expenditure considered by Government to be necessary to provide a standard level of service throughout the country.
<b>Scheme Liabilities</b>	The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.
<b>Total Cost</b>	The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.