AGENDA ITEM NO. 7	
CORPORATE GOVERNANCE COMMITTEE	
Date	**25 SEPTEMBER 2012**
Title	**STATEMENT OF ACCOUNTS 2011/12**

1. PURPOSE/SUMMARY

The purpose of this report is for members to receive and approve the final Statement of Accounts for 2011/12.

2. KEY ISSUES

- The 2011/12 Statement of Accounts have been prepared for the second year based on International Financial Reporting Standards (IFRS).
- The draft Statement of Accounts was considered by this Committee on 10 July 2012 and has subsequently been the subject of external audit by PwC.
- Members have received the external auditors report on the accounts - 'Report to those charged with governance' – ISA260.
- The Accounts include all agreed changes with the auditor, the majority being either of a presentational nature or amendments to disclosure notes.
- There has been no change to the General Fund Balance, or to any of the Council's usable reserves, as a result of the audit changes.
- The Statement of Accounts requires approval by this Committee by 30 September 2012, following receipt of the external auditor's report.
- The Statement of Accounts is attached for review together with a brief summary explaining the contents of the accounts.
- Following approval by this Committee, and subject to PwC having completed all outstanding work, it is anticipated that they will 'sign off' the accounts before 30 September 2012.
- Following the auditors signature, the accounts will be published on our website and notice will be given by advertisement in the local papers and on our website that the audit has been concluded.

3.	**RECOMMENDATION**
	It is recommended that the Statement of Accounts for the financial year ended 31 March 2012 be approved.

Wards Affected	All
Forward Plan Reference No. **(if applicable)**	
Portfolio Holder(s)	Councillor Alan Melton, Leader and Portfolio Holder, Policy and Resources Cllr John Clark, Portfolio Holder, Quality Organisation
Report Originator	Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Closure of accounts working papers 2011/12

STATEMENT OF ACCOUNTS

2011/12

1. Explanatory Foreword

This Section gives summary information for the financial year.

2. Statement of Responsibilities

Sets out both this Council's and the Corporate Director and Chief Finance Officer's responsibilities

Core Financial Statements:-

3. Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

4. Comprehensive Income and Expenditure Statement

This Section gives detailed information about total expenditure on the services provided by the Council. Income for each service is matched against expenditure to show the net cost of services. The account also shows how much is received from council tax payers and from general government grants to help meet the cost of services. In addition, the statement shows the movements in the revaluation reserve and actuarial gains and losses on the pension scheme.

5. Balance Sheet

The balance sheet provides a snapshot of the Council's financial position as at 31 March 2012. It sets out what the Council owns and what the Council owes at this point in time.

6. The Cash Flow Statement

This statement summarises the total cash movements during the year for both capital and revenue purposes.

7. Notes to the Core Financial Statements

These notes provide additional information regarding the Council's financial activities during 2011/12. They now include at Note 1 the Council's Accounting Policies.

Additional Financial Statements:-

8. The Collection Fund

The Council is legally obliged to maintain this fund separately from all other funds and accounts. It shows the transactions that have arisen because the Council is a billing authority, responsible for collecting non-domestic rates and council tax on behalf of the precepting authorities – the police, fire authority, county council, town and parish councils – as well as for itself. The collection fund records the income we receive from local tax payers and the money that is distributed as precepts.

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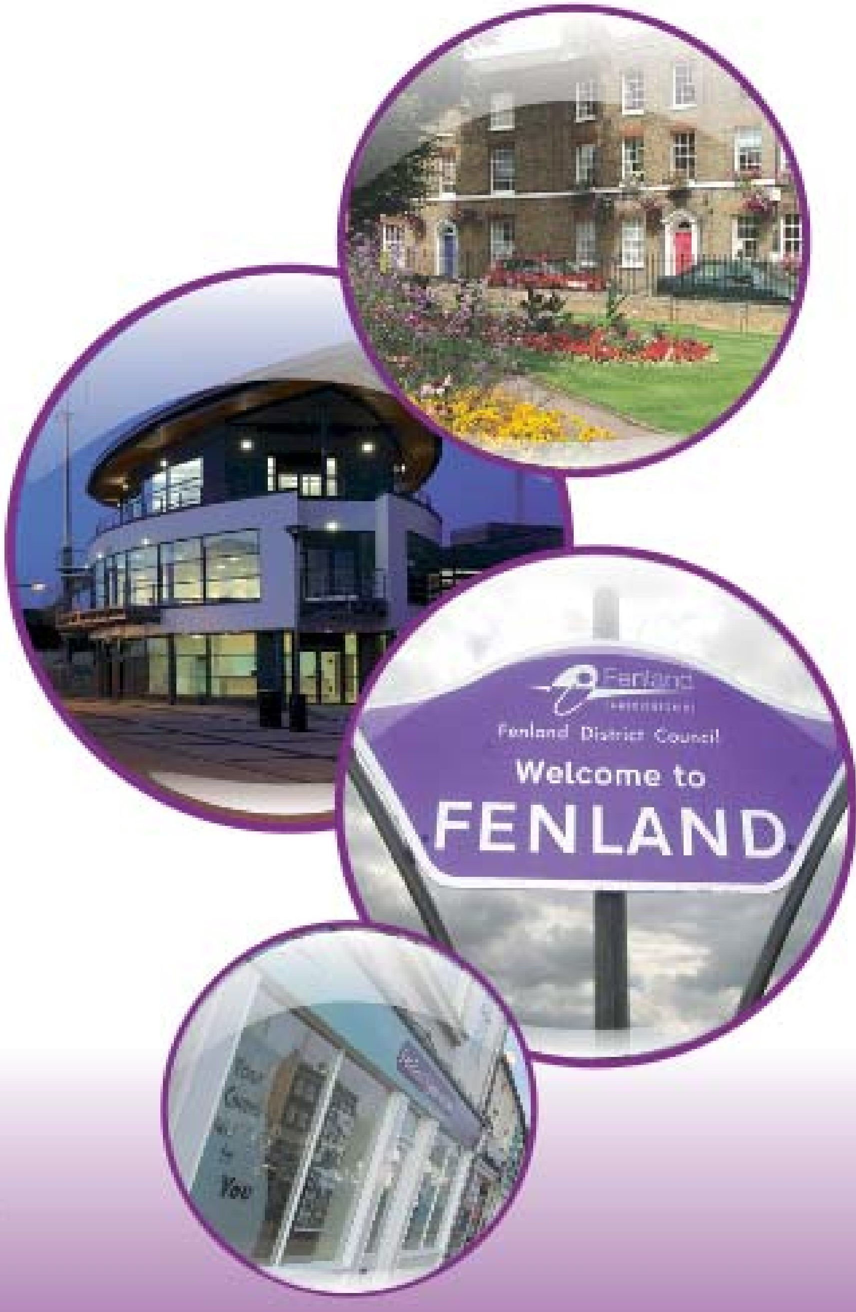
Statement of Accounts 2011/12



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STATEMENT OF ACCOUNTS

2011/12

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EXPLANATORY FOREWORD

1. The Council's financial statements for the year 2011/12 are set out on pages 7 to 78. They consist of:

- the **Movement in Reserves Statement** – shows how the movement in reserves in the Balance Sheet is reconciled to the Comprehensive Income and Expenditure Account Surplus/Deficit and what adjustments are required to be charged to the General Fund Balance for Council Tax setting purposes;
- the **Comprehensive Income and Expenditure Statement** – a summary of the resources generated and consumed by the Council;
- the **Balance Sheet -** setting out the Council's financial position as at 31 March 2012;
- the **Cash Flow Statement -** which summarises the Council's inflows and outflows of cash for revenue and capital transactions for the year with third parties;
- the **Collection Fund** – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and non domestic rates.

The accounts referred to above are supported by **Accounting Policies**, which are note 1 to the accounts.

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.

2. GENERAL FUND SERVICES

For 2011/12, the Council agreed an original budget of net spending on services of £16.161m. This sum was to be financed in part by Government Grant together with the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for 2011/12 was set at £241.56 for Band D properties. The precept on the Collection Fund (£7.370m) is the amount due to the Council net of Parish Precepts (£0.733m) and the previous year's Council Tax deficit (£0.064m). The following table summarises the final figures (outturn) with those budgeted for the year.

	Original Budget £000	Revised Budget £000	Actual £000	Actual to Revised Difference £000
General Fund Spending	16,161	16,276	16,174	102
Contribution to/(from) GF balance	(200)	(50)	52	(102)
Total	15,961	16,226	16,226	0
Financed by:				
Distribution from NNDR	6,084	6,084	6,084	0
General Government Grants	2,507	2,772	2,772	0
Precept on Collection Fund	7,370	7,370	7,370	0
Total	15,961	16,226	16,226	0
General Fund Balance at 31 March 2012	2,408	2,659	2,762	102

The Council under spent by £102,376 on the revised budget due principally to the following reasons:

			£000
	•	Additional bad debt provision required	173
	•	Higher premises costs	37
	•	Additional contribution to Reserves	400
Off-set by	•	Lower employee costs	(134)
	•	Lower supplies and services costs	(314)
	•	Additional Income from fees and charges	(144)
	•	Additional Other Income	(39)
	•	Other net savings	(81)
			(102)

3. CAPITAL

In 2011/12 the Council spent £6.154m on capital projects, which included Revenue Expenditure Funded from Capital under Statute (grants and loans to; industry, private sector home owners and support for community development), compared with the original budget of £9.356m and revised budget of £6.635m.

The main items of capital expenditure in the year were £1.273m on the construction of South Fens Enterprise Park, £0.519m on leisure centres, £1.341m grant aid support to the College of West Anglia and £1.311m on private sector home owner support.

This expenditure was financed by capital grants, capital receipts and revenue contributions.

Set out in notes 23 and 24 to the core financial statements are the Council's reserves.

The General Fund revenue balance is required to meet other financial commitments of an ongoing nature.

Capital receipts of £0.079m (net of costs) were realised in 2011/12 (2010/11: £0.268m).

4. PENSION LIABILITY

At 31 March 2012, the Council had an overall liability of £36.512m for pensions. This means, that the revenue account does not include full provision for pension costs of employees. Consequently, the employer's contribution rate payable to the Cambridgeshire County Council's Pension Fund has increased from 15.7% in 2008/09 to 17.4% in 2009/10 and 19.2% in 2010/11. The rate for 2011/12 – 2013/14 has been set at 19.2% following the latest actuarial valuation as at 31 March 2010. Further information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is detailed at note 41 to the financial statements.

5. DETAILS OF SIGNIFICANT PROVISIONS, CONTINGENCIES AND WRITE OFFS.

The Council has increased its impairment allowance for potential unrecoverable debts owed by customers and contractual debtors by £0.290m; of which £0.259m is made towards four dilapidated properties in Wisbech where the Council had to intervene and carry out works to render the buildings safe in line with its statutory obligations. The Council is pursuing recovery from the owners and exploring options in bringing these properties back into use.

6. CHANGES

Following a review of the accounting procedures for recognising capital transactions funded by Section 106 developer contributions, the Council has changed its accounting treatment of such transactions to ensure full compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, supported by International Financial Reporting Standards (IFRS).

The Council had since 2003/04 accounted for section 106 developer contributions and payments as creditors in the Council's Balance Sheet netting off payments and receipts. The Council had not accrued for these expenses and contributions as capital transactions in the Balance Sheet or debited/credited service revenue accounts with depreciation or taxation and non specific grant income (developer's contributions). This has meant that the Council's Balance Sheet has been understated by £1.321m in previous periods and depreciation and contributions charged to services understated. Statutory provisions require the removal of depreciation and contributions that have been applied to capital financing, so as to have no impact on Council Tax setting. Therefore this adjustment has had no impact on General Fund Balances. The Council has from 2011/12 onwards, changed the method of accounting for the contributions and has processed the £1.321m adjustment through the 2011/12 accounts.

7. VAT AND RIGHT TO BUY SHARING AGREEMENTS

As part of the stock transfer process the Council negotiated agreements with Roddons Housing Association Limited to share income from future reclaimed VAT and Right to Buy sales.

The Council will receive £9,950 for each dwelling sold under the Right to Buy regulations post transfer. The housing association, after deducting revenue foregone and administration costs, will keep the net receipt from the sale in a development fund which will be used to further invest in social housing in the district in the future. For 2011/12, 11 dwellings were sold and consequently the Council received £109,450 (2010/11: 4 dwellings sold, £39,800).

The VAT Shelter is an arrangement whereby the VAT on works carried out to houses transferred is recovered. Without the shelter, such VAT would be a cost to Roddons Housing Association Limited due to its VAT status. The shelter therefore seeks to take advantage of the Council's VAT position to allow such VAT to be recovered. The arrangement with Roddons allows for the VAT gain to be split equally between the Council and Roddons. In 2011/12 the Council received £373,866 from this arrangement (2010/11: £389,230).

The VAT Shelter arrangement will last up to 15 years from the date of transfer. This could result in the Council receiving up to £4.55m over the life of the arrangement from its share of the VAT shelter.

The above sums have been included as income in the Comprehensive Income and Expenditure Statement.

8. DATE THE STATEMENT OF ACCOUNTS WERE AUTHORISED FOR ISSUE

The Statement of Accounts was authorised for issue by the Corporate Director and Chief Finance Officer on 25 September 2012. This is the date up to which events after the Balance Sheet date have currently been considered.

9. FURTHER INFORMATION

Further information about these accounts is available from the Chief Accountant, Fenland Hall, County Road, March, Cambridgeshire, PE15 8NQ, (☎ 01354 622486).

This is part of the Council's policy of providing full information about the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts.

10. CORPORATE DIRECTOR AND CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the Statement of Accounts set out on pages 7 to 78 presents a true and fair view of the financial position of Fenland District Council at 31 March 2012 and its income and expenditure for the year then ended.

Signed: ………………………………………….

25 September 2012
Rob Bridge
Corporate Director and Chief Finance Officer

11. APPROVAL BY CORPORATE GOVERNANCE COMMITTEE

I confirm these accounts were approved by the Corporate Governance Committee at the meeting held on 25 September 2012.

Signed: ………………………………………….

25 September 2012
Councillor Florence Newell
Chairman

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 ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director and Chief Finance Officer.

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- to approve the statement of accounts.

The Corporate Director and Chief Finance Officer's Responsibilities

The Corporate Director and Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Corporate Director and Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.

- made judgements and estimates that were reasonable and prudent.

- complied with the Code.

The Corporate Director and Chief Finance Officer has also:

- kept proper accounting records which were up to date.

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed: ………………………………………….

25 September 2012
Rob Bridge
Corporate Director and Chief Finance Officer

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£000	£000	£000	£000	**£000**	**£000**	**£000**
Balance at 31 March 2010	**3,008**	**1,984**	**12,993**	**1,046**	**19,031**	**(8,085)**	**10,946**
Movement in reserves during 2010/11							
Surplus on Provision of Services	420	0	0	0	420	0	420
Other Comprehensive Expenditure and Income	0	0	0	0	0	11,533	11,533
Total Comprehensive Expenditure and Income	**420**	**0**	**0**	**0**	**420**	**11,533**	**11,953**
Adjustments between accounting basis & funding basis under regulation (note 7)	(1,141)	0	(3,230)	(17)	(4,388)	4,082	**(306)**
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	**(721)**	**0**	**(3,230)**	**(17)**	**(3,968)**	**15,615**	**11,647**
Transfers (to)/from Earmarked Reserves (note 8)	422	(422)	0	0	0	0	0
Increase/(Decrease) in 2010/11	**(299)**	**(422)**	**(3,230)**	**(17)**	**(3,968)**	**15,615**	**11,647**
Balance at 31 March 2011 carried forward	**2,709**	**1,562**	**9,763**	**1,029**	**15,063**	**7,530**	**22,593**

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
Balance at 31 March 2011	**2,709**	**1,562**	**9,763**	**1,029**	**15,063**	**7,530**	**22,593**
Movement in reserves during 2011/12							
Deficit on Provision of Services	(3,497)	0	0	0	(3,497)	0	(3,497)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(6,611)	(6,611)
Total Comprehensive Expenditure and Income	**(3,497)**	**0**	**0**	**0**	**(3,497)**	**(6,611)**	**(10,108)**
Adjustments between accounting basis & funding basis under regulation (note 7)	3,845	0	(4,372)	(569)	(1,096)	1,096	0
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	**348**	**0**	**(4,372)**	**(569)**	**(4,593)**	**(5,515)**	**(10,108)**
Transfers (to)/from Earmarked Reserves (note 8)	(295)	295	0	0	0	0	0
Increase/(Decrease) in 2011/12	**53**	**295**	**(4,372)**	**(569)**	**(4,593)**	**(5,515)**	**(10,108)**
Balance at 31 March 2012 carried forward	**2,762**	**1,857**	**5,391**	**460**	**10,470**	**2,015**	**12,485**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11 Gross Expenditure	2010/11 Gross Income	2010/11 Net Expenditure		**2011/12 Gross Expenditure**	**2011/12 Gross Income**	**2011/12 Net Expenditure**
£000	£000	£000		**£000**	**£000**	**£000**
11,516	(8,970)	2,546	Central services to the public	**11,594**	**(9,172)**	**2,422**
6,442	(2,194)	4,248	Cultural services	**4,889**	**(2,100)**	**2,789**
8,094	(2,031)	6,063	Environmental services	**6,326**	**(1,590)**	**4,736**
3,976	(1,567)	2,409	Planning services	**5,511**	**(898)**	**4,613**
3,473	(1,997)	1,476	Highways, roads and transport services	**792**	**(41)**	**751**
31,272	(29,562)	1,710	Other Housing services	**31,665**	**(30,587)**	**1,078**
3,038	(72)	2,966	Corporate & Democratic Core	**2,329**	**(464)**	**1,865**
			Non Distributed Costs			
(9,267)	0	(9,267)	Past Service Pension Costs (Note 41)	0	0	0
417	(349)	68	Other Non Distributed Costs	509	0	509
(8,850)	**(349)**	**(9,199)**	Total Non Distributed Costs	**509**	**0**	**509**
58,961	**(46,742)**	**12,219**	**Net cost of services**	**63,615**	**(44,852)**	**18,763**

2010/11				2011/12		
Gross Expenditure	Gross Income	Net Expenditure		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	£000	£000		**£000**	**£000**	**£000**
58,961	(46,742)	12,219	Net cost of services	**63,615**	**(44,852)**	**18,763**
1,954	0	1,954	Other Operating Expenditure (note 9)	**1,953**	**0**	**1,953**
6,657	(1,971)	4,686	Financing and Investment Income and Expenditure (note 10)	**4,210**	**(2,302)**	**1,908**
0	(19,279)	(19,279)	Taxation and Non Specific Grant Income (note 11)	**0**	**(19,127)**	**(19,127)**
67,572	**(67,992)**	**(420)**	**(Surplus) or Deficit on Provision of Services (note 29)**	**69,778**	**(66,281)**	**3,497**
		(3,515)	(Surplus) on revaluation of non-current assets (note 24)			**(111)**
		0	Impairment losses on non-current assets charged to the Revaluation Reserve (note 12)			**86**
		(8,018)	Actuarial (gains) / losses on pension assets / liabilities (note 41)			**6,636**
		(11,533)	**Other Comprehensive Income and Expenditure**			**6,611**
		(11,953)	**Total Comprehensive Income and Expenditure**			**10,108**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulation'.

Restated 31 March 2011 £000		**Note**	**31 March 2012 £000**
33,266	Property, Plant & Equipment	12	**34,957**
3,922	Investment Property	13	**3,896**
285	Intangible Assets	14	**247**
601	Long Term Debtors		**603**
38,074	**Long Term Assets**		**39,703**
12,101	Short Term Investments	16	**10,123**
105	Inventories	18	**102**
6,503	Short Term Debtors	19	**3,956**
7,864	Cash and Cash Equivalents	20	**7,931**
2	Assets held for sale		**250**
26,575	**Current Assets**		**22,362**
(38)	Short Term Borrowing		**(538)**
(176)	Short Term Finance Lease Liability		**(161)**
(4,022)	Short Term Creditors	21	**(4,187)**
(68)	Capital Grants Receipts in Advance		**(18)**
(212)	Provisions	22	**0**
(4,516)	**Current Liabilities**		**(4,904)**
(8,300)	Long Term Borrowing	36	**(7,800)**
(525)	Finance Lease Liability	38	**(364)**
(28,715)	Defined Benefit Pension Liability	41	**(36,512)**
(37,540)	**Long Term Liabilities**		**(44,676)**
22,593	**Net Assets**		**12,485**
15,063	Usable Reserves	23	**10,470**
7,530	Unusable Reserves	24	**2,015**
22,593	**Total Reserves**		**12,485**

The notes on page 13 to 75 form part of the statement of accounts.

Signed: …………………………………………. **Rob Bridge** 25 September 2012

THE CASH FLOW STATEMENT

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

2010/11 £000		**2011/12 £000**
420	**Net Surplus or (Deficit) on the provision of services**	**(3,497)**
416	Adjust net Surplus or Deficit on the provision of services for non cash movements (note 26)	1,812
(118)	Adjust for items included in the net Surplus or Deficit on the provision of services that are investing and financing activities	(75)
718	**Net cash flows from Operating Activities**	**(1,760)**
(4,868)	Investing Activities (note 27)	116
(2,586)	Financing Activities (note 28)	1,711
(6,736)	**Net increase or (decrease) in cash and cash equivalents**	**67**
14,600	Cash and cash equivalents at the beginning of the reporting period (note 20)	7,864
7,864	**Cash and cash equivalents at the end of the reporting period (note 20)**	**7,931**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS). Policies have been consistently applied except for the policy in relation to heritage assets.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets.

ii. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplied, received and their consumption, they are carried as inventories on the Balance Sheet. Exceptions to this principle include utility bills and other similar quarterly payments, which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

- 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.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. CASH AND CASH EQUIVALENTS

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

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

iv. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

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

v. PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, but where the timing and/ or amount of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried 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.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

vi. CONTINGENT ASSETS

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

vii. CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

viii. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. 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.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

ix. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

x. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Cambridgeshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:

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

- Liabilities are discounted to their value at current prices, using the discount rate based on the indicative rate of return on high quality corporate bonds.

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

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

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

  current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  gains/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/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve.
  contributions paid to the Cambridgeshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

xi. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

xii. VALUE ADDED TAX (VAT)

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

xiii. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). 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; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale and other surplus assets held for disposal (but which do not satisfy the criteria in the Code to be classified as held for sale) and depreciation on the latter category of assets.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure statement, as part of Net Expenditure on Continuing Services.

xiv. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible assets held by the Council meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired-any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xv. PROPERTY, PLANT AND EQUIPMENT

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. Assets valued at less than £10,000 are not normally recognised in the Balance Sheet. The exception to this principal relates to land holdings which may have a current value of less than £10,000 but where they meet the Assets Held for Sale criteria. The total value of such assets does not materially affect the Property, Plant and Equipment disclosure note.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.

- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.

- Short life operational assets, such as vehicles, plant and equipment - historical cost less depreciation as a proxy for the lower of net current replacement cost and net realisable value in existing use.

- All other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year- end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service revenue line (s) in the Comprehensive income and Expenditure Statement.

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.

Impairment

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

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service revenue line(s) in the Comprehensive income and Expenditure Statement

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

Depreciation

Depreciation is provided on Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets), assets that are not available for use (i.e. Assets Under Construction) and Surplus Assets.

Depreciation is calculated on the following bases:

- Straight line allocation over the useful life of the Property, Plant and Equipment.

- Newly acquired assets are depreciated in the year following acquisition. Assets in the course of construction are not depreciated until they are brought into use.

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less cost to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

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

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

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

Disposal proceeds 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 General Fund Balance in the Movement in Reserves Statement.

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

xvi. INVESTMENT PROPERTY

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

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

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

£10,000) the Capital Receipts Reserve.

xvii. HERITAGE ASSETS

Heritage assets are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by this Council are monuments, war memorials, public clocks, civic regalia and operational historic buildings in cemeteries.

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

The historical cemetery buildings are operational assets accounted for at depreciated replacement cost within Property, Plant and Equipment in the Balance Sheet.

The remaining heritage assets are not recognised in the financial statements as no information is available on the cost.

The Council is of the view that obtaining valuations for these assets would involve a disproportionate cost in comparison to the benefits that would be provided to the users of the Council's financial statement – this exemption is permitted by the Code.

These assets are recorded in the asset register of the Council and detailed records are kept on each asset.

xviii. CHARGES TO REVENUE FOR NON-CURRENT 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.
- Revaluation and Impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written-off.
- Amortisation of intangible assets attributable to the service.

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

xix. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset (e.g. renovation grants) has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

xx. LEASES

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

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

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

<u>The Council as Lessee</u>

Finance Leases

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to the lessor. Indirect costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and

- a finance charge (debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, generally meaning that rentals are charged when they become payable.

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xxi. 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 normally be the date that a contract is entered into but may be later if there are conditions that need to be satisfied.

Financial assets are recognised by the Council on the Balance Sheet only when goods or services have been provided or rendered to a third party. Financial liabilities are recognised when the goods or services ordered from a third party have been received by the Council and the third party has performed its contractual obligations.

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure

Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets could be classified into two types;

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

The Council currently only has assets classified as “loans and receivables”.

Loans and Receivables

Loans and receivables are initially measured at fair value and are subsequently carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to private individuals at nil interest and the loans form a charge on the individual’s properties. This means that market rates of interest have not been charged and these loans are classed as “soft loans”. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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 to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at the real effective rate of interest 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 Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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 relevant service (for receivables specific to that service) or the

Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xxii. INVENTORIES

Inventories are valued at latest price, with an allowance made for obsolete and slow moving items. While this is a departure from the requirements of the Code of Practice on Local Authority Accounting and IAS2, which require inventories to be shown at the lower of cost and net realisable value, the effect of the different treatment is not material.

The Council has complied with the Code of Practice on Local Authority Accounting, with the exception of its inventory policy as stated above. Despite this departure from the code, management have concluded that the accounts present a true and fair view of the Council's financial position, financial performance and cash flows.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Amendments to IFRS 7 Financial Instruments

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but the Council is not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Council's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgement made in the Statement of Accounts is: There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that the uncertainty is such that it is not possible to determine whether or not there may be an impairment of assets as a result of a need to close facilities and reduce levels of service provision.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and shown an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £40k for every year that useful life is reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £8.7m. However, the assumptions interact in complex ways, so care should be taken when looking at changes in one variable in isolation.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The following material items of income and expenditure are included in the Comprehensive Income and Expenditure Statement:

The comparative 2010/11 figure for non-distributed costs (part of the net cost of services) includes a past service gain of £9.3 million which was credited to expenditure. This reflected the announcement that from 1 April 2011, public service pensions were to be uprated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

A net credit for reversal of previous revaluation losses of £0.341 million has been credited to expenditure within the net cost of service line. The comparative expenditure figure for 2010/11 includes revaluation losses of £4.7 million.

6. EVENTS AFTER THE BALANCE SHEET DATE

There are no material post Balance Sheet events to report.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2011/12	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	2,435	0	0	(2,435)
Revaluation surplus on Property, Plant and Equipment	(341)	0	0	341
Movements in the market value of Investment Properties	26	0	0	(26)
Amortisation of intangible assets	96	0	0	(96)
Capital grants and contributions that have been applied to capital financing	(2,574)	0	0	2,574
Revenue expenditure funded from capital under statute	3,378	0	0	(3,378)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	26	0	0	(26)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(175)	0	0	175
Capital expenditure charged against the General Fund Balance	(24)	0	0	24
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(56)	56	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(4,292)	0	4,292
Voluntary Contribution from Capital Receipts Reserve to repay debt outstanding	0	(153)	0	153
Miscellaneous Capital receipts	(19)	19	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2	(2)	0	0

2011/12	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(13)	0	13	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(582)	582
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(25)	0	0	25
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,261	0	0	(3,261)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,100)	0	0	2,100
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(60)	0	0	60
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	8	0	0	(8)
Total Adjustments	**3,845**	**(4,372)**	**(569)**	**1,096**

2010/11 Comparative Figures	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	1,863	0	0	(1,863)
Revaluation losses on Property, Plant and Equipment	4,698	0	0	(4,698)
Movements in the market value of Investment Properties	535	0	0	(535)
Amortisation of intangible assets	114	0	0	(114)
Capital grants and contributions that have been applied to capital financing	(3,440)	0	0	3,440
Revenue expenditure funded from capital under statute	3,621	0	0	(3,621)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	173	0	0	(173)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(185)	0	0	185
Capital expenditure charged against the General Fund Balance	(9)	0	0	9
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(171)	171	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(3,447)	0	3,447
Miscellaneous Capital receipts	(77)	77	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	31	(31)	0	0

2010/11 Comparative Figures	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(491)	0	491	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(508)	202
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory Requirements	42	0	0	(42)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,632)	0	0	5,632
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,235)	0	0	2,235
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	61	0	0	(61)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(39)	0	0	39
Total Adjustments	**(1,141)**	**(3,230)**	**(17)**	**4,082**

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2011/12.

	Note	Balance at 1 April 2010	Movements in year		Balance At 31 March 2011	Movements in year		Balance at 31 March 2012
			Receipts	Applied		Receipts	Applied	
		£000	£000	£000	£000	£000	£000	£000
Travellers Sites	1	**148**	42	(28)	**162**	**0**	**(67)**	**95**
Town Schemes	2	**12**	0	(12)	**0**	**0**	**0**	**0**
Maint Costs Station Rd, W'sey	3	**12**	3	0	**15**	**2**	**0**	**17**
CCTV	4	**51**	10	0	**61**	**10**	**(22)**	**49**
Invest to Save	5	**92**	0	(9)	**83**	**0**	**(9)**	**74**
Conservation	6	**54**	0	0	**54**	**0**	**0**	**54**
Village Halls	7	**49**	0	0	**49**	**2**	**0**	**51**
Management of Change	8	**1,179**	0	(557)	**622**	**100**	**0**	**722**
Neighbourhood Planning Reserve	9	**198**	77	(8)	**267**	**100**	**(93)**	**274**
Specific Grants Reserve	10	**189**	91	(77)	**203**	**181**	**(106)**	**278**
Personal Search Fees	11	**0**	34	0	**34**	**0**	**0**	**34**
Community Projects	12	**0**	12	0	**12**	**0**	**(3)**	**9**
Local Gov't Resource Review	13	**0**	0	0	**0**	**200**	**0**	**200**
Total		**1,984**	**269**	**(691)**	**1,562**	**595**	**(300)**	**1,857**

Notes:

1. The Travellers Sites Reserve is used to fund future maintenance programmes.

2. The Town Schemes Reserve was used to fund outstanding commitments from the Historic Building grant scheme.

3. The Station Road, Whittlesey Reserve was set up in 2004/05, to finance future maintenance costs in relation to the un-adopted estate road. Contributions are received annually from the Companies who have purchased the freehold of individual sites.

4. CCTV Reserve is to provide for future plant and equipment requirements.

5. The Invest to Save Reserve was set up for services to "borrow" from in order to finance ways of producing savings. The reserve will be used to fund schemes in the Council's 'Keen to be Green' strategy for carbon reduction.

6. The Conservation Reserve was set up to purchase, renovate and subsequently re-sell difficult properties of local importance where intervention by this Council is seen as the only solution.

7. The Village Halls Reserve was established for the construction of new village halls and the major extension or repair to existing halls.

8. The Management of Change Reserve was established in 2005/06 for the effective management of any organisational changes required to meet the Council's future priorities.

9. The Neighbourhood Planning Reserve was created in 2007/08 to assist the Council with delivering the 'Neighbourhood Planning' objective and delivery of the new Development Plan.

10. Grants received in year but not spent. Balance available to fund specific spending commitments in future years.

11. Available to off-set potential restitution claims associated with the revocation of the personal search fee of the local land charges register.

12. Available to assist communities to commemorate the Queen's diamond jubilee.

13. The Local Government Resource Review Reserve has been established to assist the Council in delivering the localisation of council tax benefits and business rates retention from 2013/14.

9. OTHER OPERATING EXPENDITURE

	2011/12 £000	**2010/11 £000**
Parish Council Precepts	**733**	701
Drainage Board Levies	**1,248**	1,220
Payments to the Government Housing Capital Receipts Pool	**2**	31
Loss/(Profit) on the disposal of non-current assets	**(30)**	2
Total	**1,953**	**1,954**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/12 £000	2010/11 £000
Deficit on Trading Accounts	**787**	2,650
Interest payable and similar charges	**543**	636
Pensions interest cost and expected return on pensions assets	**955**	1,304
Interest receivable and similar income	**(356)**	(381)
Income and expenditure in relation to Investment properties and changes in their fair value	**(21)**	477
Total	**1,908**	**4,686**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

	2011/12 £000	2010/11 £000
Council Tax income	**(8,163)**	(8,043)
Non Domestic rates	**(6,084)**	(8,402)
Non-ringfenced Government grants	**(2,822)**	(1,862)
Capital grants and contributions	**(2,058)**	(972)
Total	**(19,127)**	**(19,279)**

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2011/12

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2011	**22,974**	**9,174**	**6,245**	**1,191**	**325**	**270**	**40,179**
Additions	594	1,925	176	66	0	1,273	4,034
Revaluation increases/(decreases) recognised in the Revaluation Reserve	90	0	0	0	0	0	90
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(116)	0	0	0	0	0	(116)
Derecognition - disposals	(26)	0	0	0	0	0	(26)
Assets reclassified to held for sale	(210)	0	0	0	(38)	0	(248)
At 31 March 2012	**23,306**	**11,099**	**6,421**	**1,257**	**287**	**1,543**	**43,913**
Accumulated Depreciation and Impairment							
At 1 April 2011	**(611)**	**(5,386)**	**(835)**	**(73)**	**(8)**	**0**	**(6,913)**
Depreciation charge	(539)	(1,123)	(225)	0	0	0	(1,887)
Depreciation charge to Revaluation Reserve	(55)	0	0	0	0	0	(55)
Depreciation written out to the Surplus/ Deficit on the provision of Services	457	0	0	0	0	0	457
Depreciation written out to the Revaluation reserve	21	0	0	0	0	0	21
Impairment losses/(reversals) recognised in the Revaluation Reserve	(86)	0	0	0	0	0	(86)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(493)	0	0	0	0	0	(493)
At 31 March 2012	**(1,306)**	**(6,509)**	**(1,060)**	**(73)**	**(8)**	**0**	**(8,956)**
Net Book Value							
At 31 March 2012	**22,000**	**4,590**	**5,361**	**1,184**	**279**	**1,543**	**34,957**
At 31 March 2011	**22,363**	**3,788**	**5,410**	**1,118**	**317**	**270**	**33,266**

Comparative Movements in 2010/11:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 1 April 2010	**22,360**	**8,606**	**6,068**	**1,571**	**277**	**619**	**39,501**
Additions	1,788	568	177	79	0	270	2,882
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,480	0	0	(39)	48	0	3,489
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,067)	0	0	(420)	3	0	(5,484)
Derecognition - disposals	(17)	0	0	0	0	0	(17)
Assets reclassified to held for sale	(141)	0	0	0	0	0	(141)
Assets reclassified to investment properties	(36)	0	0	0	0	0	(36)
Other movements in cost or valuation	607	0	0	0	(3)	(619)	(15)
At 31 March 2011	**22,974**	**9,174**	**6,245**	**1,191**	**325**	**270**	**40,179**
Accumulated Depreciation and Impairment							
At 1 April 2010	**(809)**	**(4,362)**	**(615)**	**(73)**	**0**	**0**	**(5,859)**
Depreciation charge	(552)	(1,024)	(216)	0	0	0	(1,792)
Depreciation charge to Revaluation Reserve	(55)	0	0	0	0	0	(55)
Depreciation written out to the Surplus/ Deficit on the provision of Services	798	0	0	0	0	0	798
Depreciation written out to the Revaluation Reserve	11	0	0	0	0	0	11
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(4)	0	(4)	0	(8)	0	(16)
At 31 March 2011	**(611)**	**(5,386)**	**(835)**	**(73)**	**(8)**	**0**	**(6,913)**

Assets that were reclassified to held for sale in 2010/11 were subsequently sold. Those assets valuations were subsequently written out of the accounts on disposal.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings - 5-60 years
- Vehicles, Plant, Furniture & Equipment – 5–20 years
- Infrastructure – 20-40 years

Capital Commitments

At 31 March 2012, the Council was contractually committed to capital works valued at approximately £0.892m (2010/11: £0.893m). Capital expenditure under these contracts will be incurred in 2012/13. The major commitments are:

	31 March 2012 £000
Property, Plant & Equipment	
Public Convenience Modernisations	392
Revenue Expenditure Funded From Capital Under Statute	
Thomas Clarkson Community College	200
Chatteris Leisure Centre Gym and Exercise Studio	300

Revaluations

The following statement shows the progress of the Council's programme for the revaluation of all Property, Plant and Equipment. A full re-valuation of all assets valued at fair value was undertaken at 1 April 2010. Valuations for the Manor and Hudson Leisure Centres and other land assets were updated by way of an annual review at 31 March 2012. All assets are re-valued at least every 5 years. All valuations were carried out externally by Norfolk Property Services in accordance with the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuations is set out in the accounting policies, note 1.

The following table shows those assets held at historical cost valuation. Vehicles, Plant and Equipment as short life operational assets are held at historical cost less depreciation as a proxy for fair value. All other assets have been revalued (current value) to provide their fair value.

	Other Land & Buildings £000	Infrastructure Assets £000	Community Assets £000	Vehicles, Plant & Equipment £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Valued at historical cost	0	5,361	1,184	4,590	1,543	0	12,678
Valued at fair value as at:							
31 March 2012	8,743	0	0	0	0	0	8.743
31 March 2011	13,257	0	0	0	0	279	13,536
Total	22,000	5,361	1,184	4,590	1,543	279	34,957

13. INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2011/12 £000	2010/11 £000
Rental income from investment property	**47**	58
Net gain	**47**	58

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

The following table summarises the movement in the fair value of investment properties over the year:

	2011/12 £000	2010/11 £000
Balance at start of the year	**3,922**	4,005
Additions:		
Subsequent expenditure	**0**	416
Net loss from:		
Fair value adjustments	**(26)**	(119)
Impairment	**0**	(416)
Other changes	**0**	36
Balance at end of the year	**3,896**	3,922

14. INTANGIBLE ASSETS

Purchased software licences are held for a variety of IT systems. All software is given a 5 year finite useful life, based on assessments of the period that the software is expected to be used by the Council and to be consistent with the general policy for all capitalised IT purchases.

The carrying amount of intangible assets is amortised on a straight line basis in the year after acquisition in line with the Council's general depreciation/amortisation policy. The amortisation of £96,171 charged to revenue in 2011/12 is charged to the IT cost centre and then absorbed as an overhead across all service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2011/12	2010/11
	£000	£000
Balance at start of year		
Gross Carrying amount	**1,152**	1,032
Accumulated amortisation	**(867)**	(753)
Net carrying amount at start of year	**285**	**279**
Additions	**58**	120
Amortisation for the year	**(96)**	(114)
Net carrying amount at end of year	**247**	**285**
Comprising:		
Gross carrying amounts	**1,210**	1,152
Accumulated amortisation	**(963)**	(867)
	247	**285**

15. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Carrying amount	
	31 March 2012 £000	**Restated 31 March 2011 £000**
Financial liabilities		
Long Term Liabilities	**(7,800)**	(8,300)
Short Term Borrowings	**(538)**	(38)
Creditors	**(2,617)**	(3,283)
	(10,955)	(11,621)
Loans & Receivables		
Total Debtors	**2,353**	3,573
Cash & Cash Equivalents	**7,931**	7,864
Investments	**10,123**	12,101
	20,407	23,538

The Council has restated 2010/11 reported figures such that finance lease liabilities are not showing as financial instruments and that the figures reconcile with the figures reported in the balance sheet.

Statutory debt owed to/from the Council such as, Council Tax, NNDR and amounts owed to/from other Government bodies is removed from the financial instruments analysis.

Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Liabilities measured at amortised cost 31 March 2012 £000	Loans and Receivables 31 March 2012 £000	Total 31 March 2012 £000
Interest Income – soft loans	0	(6)	**(6)**
Interest and Investment Income	0	(350)	**(350)**
Increase in bad debts provision	0	475	**475**
Interest payable and similar charges	553	0	**553**
Net loss for year	553	119	**672**

	Liabilities measured at amortised cost 31 March 2011 £000	Loans and Receivables 31 March 2011 £000	Total 31 March 2011 £000
Interest Income – soft loans	0	(4)	(4)
Interest and Investment Income	0	(377)	(377)
Increase in bad debts provision	0	74	74
Interest payable and similar charges	646	0	646
Net loss for year	646	(307)	339

Realised and unrealised gains and losses, interest and other items of income and expense are accounted for in the financial year to which they relate and are shown at actual value paid or received.

The increase in bad debts provision reflects the additional amount required in the year which is chargeable to the Comprehensive Income and Expenditure Statement

16. FAIR VALUE OF ASSETS AND LIABILITIES

Financial liabilities and financial assets (loans and receivables) are carried in the Balance Sheet at amortised cost. As loans and receivables are assets only 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:

- An estimated interest rate at 31 March 2012 of 6.33% has been used to calculate the fair value of private sector housing improvement loans
- No early repayment or impairment is recognised

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to the fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- PWLB interest rates for new loans have been used as the discount factor on loans.

Set out below is the fair value for financial liabilities and loans and receivables:

	Carrying Amount 31 March 2012 £000	Fair Value 31 March 2012 £000	Restated Carrying Amount 31 March 2011 £000	Restated Fair Value 31 March 2011 £000
Financial liabilities				
Long Term Liabilities	**(7,800)**	**(9,990)**	(8,300)	(10,087)
Short Term Borrowing	**(538)**	**(515)**	(38)	(0)
Creditors	**(2,617)**	**(2,617)**	(3,283)	(3,283)
	(10,955)	**(13,122)**	(11,621)	(13,370)
Loans & Receivables				
Total Debtors	**2,353**	**2,353**	3,573	3,573
Cash & Cash Equivalents	**7,931**	**7,931**	7,864	7,864
Investments	**10,123**	**10,123**	12,101	12,101
	20,407	**20,407**	23,538	23,538
Total	**9,452**	**7,285**	**11,917**	**10,168**

The Council has restated 2010/11 reported figures such that finance lease liabilities are not showing as financial instruments and that the figures reconcile with the figures reported in the balance sheet.

The fair value of long term liabilities and short term borrowing are greater than the carrying amount due to the Council's portfolio of loans consisting of a number of fixed rate loans, where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. The fair value of creditors is taken to be the invoiced amount.

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

How the Council Manages These Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, The CIPFA Code of Practice on Treasury Management in the Public Services and investment Guidance issued through the Act.

The Council provides written principles for its risk management procedures together with written policies covering specific areas such as Treasury Management. Each year the Council produces a Treasury Management and Annual Investment Strategy that explains how the Council proposes to manage credit, liquidity and market risk in its investments.

Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. In addition, the Investment strategy also limits maximum amounts and time limits to be deposited in respect of each financial institution. Additional selection criteria are also applied after this initial criteria is applied. Full details of the Investment Strategy can be found on the Council's website.

Deposits are not made with banks and financial institutions unless they meet the minimum criteria laid out within the creditworthiness service provided by Sector Treasury services (see Annual Investment Strategy). A maximum of £5 million is allowed to be invested within any one approved institution for up to 5 years. In special circumstances a sum of £10 million may be invested overnight with the Council's approved bank.

At 31 March 2012 there was a maximum of £5 million with approved counterparties and a maximum of 2 times this limit may be invested in total with counterparties belonging to the same group.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to investments at 31 March 2012 and that any residual risk cannot be quantified.

The following table shows the original sums of investments at 31 March analysed by the nature of financial institution and remaining period to maturity.

	Maturity Bands			
31 March 2012	**Less than 3 Months**	**3 Months to 6 Months**	**6 Months to 1 year**	**Total**
	£000	**£000**	**£000**	**£000**
Banks	7,600	8,000	2,000	17,600
Total	**7,600**	**8,000**	**2,000**	**17,600**

31 March 2011	Maturity Bands Less than 3 Months	 3 Months to 6 Months	 6 Months to 1 year	Total
	£000	£000	£000	£000
Banks	9,600	6,000	2,000	17,600
Building Societies	2,000	0	0	2,000
Total	**11,600**	**6,000**	**2,000**	**19,600**

In relation to sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts. Provision is also made for material individual debts, which the Council believes may not be recoverable.

The following analysis summarises the Council's assessment of its potential maximum exposure to credit risk (impairment allowance) in relation to debtors:

	31 March 2012	31 March 2011
	£000	£000
Long term debtors	**432**	446
Other debtors	**1,751**	2,972
Total	**2,183**	**3,418**

The movement in the impairment allowance during the year can be summarised as follows:

	31 March 2012 £000	31 March 2011 £000
Opening balance	**63**	91
Increase in allowance for impairment	**290**	45
Balances written off during the year	**(20)**	(73)
Closing balance	**333**	**63**

The Council does not generally extend credit to its customers beyond 14 days. At 31 March 2012, of the total debtor and deferred debtor balances of £2.183 million (£3.418 million at 31 March 2011), the past due amount was £0.516 million (£0.561 million at 31 March 2011) and can be analysed by age as follows:

	31 March 2012 £000	31 March 2011 £000
Customer Debts		
Less than one year	**279**	436
More than one year	**237**	125
Total	**516**	**561**

The Council believes it has taken all reasonable steps to minimise any exposure to credit risks in relation to those customer debts that are past due but not impaired at 31 March 2012 and that any residual risk cannot be quantified.

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board, it does not face any significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All financial liabilities as at 31 March 2012 are due within one year, apart from long term borrowings and finance lease liabilities.

Market Risk – Interest Rate Risk

The Council is exposed to minimal risk in respect of adverse interest rate movements in its investments. This is because fixed rate investments are of less than one year in duration and the changes to fair value will be minimal. The Council does, however, utilise "call accounts" for short term deposits and the interest rate on these accounts move in line with the bank base rate. In general terms, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

The Council's treasury management officers play a pro-active role in assessing interest rate exposure that feeds into the Council's annual budget setting process and which is used to revise budget projections as necessary during the financial year. The assessment procedures indicate that if interest rates were one percentage point higher, with all other variables held constant, the effect in 2011/12 would have been:

	31 March 2012 £000	**31 March 2011 £000**
Additional impact on variable rate interest income	**(100)**	(147)
Reduction in fair value of fixed rate investments	**159**	161
Net financial effect	**59**	14

The impact of a one percentage point fall in interest rates would be the reverse of the net effect identified in the table above. The Code of Practice on Local Authority Accounting 2011/12 suggests a sensitivity analysis of one percentage point.

18. INVENTORIES

	General & Vehicle		Other		Total	
	2011/12 £000	2010/11 £000	**2011/12 £000**	2010/11 £000	**2011/12 £000**	2010/11 £000
Balance outstanding at start of year	**83**	103	**22**	35	**105**	138
Purchases	**461**	481	**111**	121	**572**	602
Recognised as an expense in the year	**(465)**	(501)	**(110)**	(134)	**(575)**	(635)
Balance outstanding at year-end	**79**	83	**23**	22	**102**	105

19. SHORT TERM DEBTORS

	31 March 2012 £000	31 March 2011 £000
Central Government bodies	**189**	1,550
Other local authorities	**1,134**	2,245
Council Tax Arrears	**210**	199
NHS bodies	**0**	3
Other entities and individuals	**2,423**	2,506
Total	**3,956**	**6,503**

Each Line item is presented net of impairment.

20. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2012 £000	31 March 2011 £000
Cash held by the Council	**7,931**	3,856
Short-term deposits with banks and building societies	**0**	4,008
Total Cash and Cash Equivalents	**7,931**	**7,864**

21. SHORT TERM CREDITORS

	31 March 2012 £000	31 March 2011 £000
Central Government bodies	**1,439**	541
Other local authorities	**469**	861
Council Tax Prepayments	**123**	121
Other entities and individuals	**2,156**	2,499
Total	**4,187**	**4,022**

22. PROVISIONS

	31 March 2012 £000	31 March 2011 £000
Balance at 1 April	**212**	0
Additional Provision	**0**	212
Utilised in Year	**(212)**	0
Balance at 31 March	**0**	**212**

The redundancy provision had been set aside to meet the estimated cost to the Council of redundancies announced in March 2011. Those costs have been paid during April/May 2011.

23. USABLE RESERVES

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

	31 March 2012 £000	31 March 2011 £000
Capital Receipts Reserve	**5,391**	9,763
Earmarked Reserve	**1,857**	1,562
Capital Grants Unapplied Account	**460**	1,029
General Fund Balance	**2,762**	2,709
Total Usable Reserves	**10,470**	**15,063**

24. UNUSABLE RESERVES

	31 March 2012 £000	31 March 2011 £000
Revaluation Reserve	**4,347**	4,395
Capital Adjustment Account	**34,740**	32,484
Financial Instruments Adjustment Account	**(350)**	(375)
Pensions Reserve	**(36,512)**	(28,715)
Deferred Capital Receipts Reserve	**4**	7
Collection Fund Adjustment Account	**(49)**	(109)
Accumulated Absences Account	**(165)**	(157)
Total	**2,015**	**7,530**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

	2011/12 £000	2010/11 £000
Balance at 1 April	**4,395**	950
Upward revaluation of assets	**283**	4,064
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(258)**	(549)
Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**25**	3,515
Difference between fair value depreciation and historical cost depreciation	**(55)**	(55)
Accumulated gains on assets sold or scrapped	**(18)**	(15)
Amount written off to the Capital Adjustment Account	**(73)**	(70)
Balance at 31 March	**4,347**	**4,395**

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011/12 £000	2010/11 £000
Balance at 1 April	**32,484**	36,129
Charges for depreciation and impairment of non-current assets	**(2,435)**	(1,863)
Revaluation (losses)/gain on Property, Plant and Equipment	**341**	(4,698)
Amortisation of intangible assets	**(96)**	(114)
Revenue expenditure funded from capital under statute	**(3,378)**	(3,621)
Private Sector Housing Loans	**0**	(15)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(26)**	(173)
Adjusting amounts written out of the Revaluation Reserve	**73**	70
Use of the Capital Receipts Reserve to finance new capital expenditure	**4,295**	3,468
Voluntary Contribution from Capital Receipts Reserve to repay debt outstanding	**153**	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**2,574**	3,440
Application of grants to capital financing from the Capital Grants Unapplied Account	**582**	202
Statutory provision for the financing of capital investment charged against the General Fund Balance	**175**	185
Capital expenditure charged against the General Fund Balance	**24**	9
Movements in the market value of Investment Properties debited to the Comprehensive Income and Expenditure Statement	**(26)**	(535)
Balance at 31 March	**34,740**	**32,484**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2011/12	2010/11
	£000	**£000**
Balance at 1 April	**(375)**	(333)
Proportion of discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**(10)**	(10)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**20**	20
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**15**	(52)
Balance at 31 March	**(350)**	**(375)**

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2011/12	2010/11
	£000	**£000**
Balance at 1 April	**(28,715)**	(44,600)
Actuarial gains or (losses) on pensions assets and liabilities	**(6,636)**	8,018
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(3,261)**	5,632
Employer’s pensions contributions and direct payments to pensioners payable in the year	**2,100**	2,235
Balance at 31 March	**(36,512)**	**(28,715)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2011/12	2010/11
	£000	£000
Balance at 1 April	**7**	13
Transfer to the Capital Receipts Reserve upon receipt of cash	**(3)**	(6)
Balance at 31 March	**4**	**7**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax Payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2011/12	2010/11
	£000	£000
Balance at 1 April	**(109)**	(48)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	**60**	(61)
Balance at 31 March	**(49)**	**(109)**

Accumulated Absences Account

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

	2011/12		2010/11	
	£000		£000	£000
Balance at 1 April		**(157)**		(196)
Settlement or cancellation of accrual made at the end of the preceding year	**157**		196	
Amounts accrued at the end of the current year	**(165)**		(157)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(8)**		39
Balance at 31 March		**(165)**		**(157)**

25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2011/12	2010/11
	£000	£000
Interest received	**329**	352
Interest paid	**(543)**	(652)
	(214)	**(300)**

26. CASH FLOW STATEMENT – ADJUST NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2010/11 £000		2011/12 £000
1,847	Depreciation	**1,942**
4,714	Impairment & downward/upward valuations	**152**
114	Amortisation	**96**
74	Increase in impairment for bad debts	**475**
(425)	Decrease in Creditors	**(517)**
1,886	Decrease in Debtors	**775**
33	Decrease in Stock	**3**
(7,867)	Movement in pension liability	**1,161**
173	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	**26**
(746)	Taxation and non specific grant income	**(2,058)**
212	Increase/(decrease) in Provisions	**(212)**
535	Movement in fair value of investment properties	**26**
(134)	Other non-cash transactions	**(57)**
416		**1,812**

27. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2011/12 £000	2010/11 £000
Purchase of property, plant and equipment, investment property and intangible assets	**(2,828)**	(3,437)
Purchase of short-term and long-term investments	**(12,000)**	(19,000)
Other payments for investing activities	**(5)**	(450)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**80**	134
Proceeds from short-term and long-term investments	**14,000**	17,000
Other receipts from investing activities	**869**	885
Net cash flows from investing activities	**116**	**(4,868)**

28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2011/12	2010/11
	£000	**£000**
Other receipts from financing activities	**1,872**	86
Cash payments for the reduction of the outstanding liabilities relating to finance leases	**(161)**	(185)
Repayments of short-term and long-term borrowing	**0**	(2,463)
Other payments for financing activities	**0**	(24)
Net cash flows from financing activities	**1,711**	**(2,586)**

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice.* However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. The reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to depreciation, revaluation losses and revenue expenditure funded from capital under statute.
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- The net income generated by the Council's trading services is reported below net cost of services.

The income and expenditure of the Council's directorates recorded in the budget reports for the year and how it reconciles to that included in the net cost of services in the Comprehensive Income and Expenditure Statement is as follows:

Directorate income and expenditure 2011/12:

	Business, Infrastructure and Planning	Environment and leisure	Resources and Customer Services	Housing and Development	Policy and Governance	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(1,761)	(3,694)	(478)	(1,453)	(358)	**(7,744)**
Government grants	0	(38)	(37,628)	(379)	0	**(38,045)**
Total income	(1,761)	(3,732)	(38,106)	(1,832)	(358)	**(45,789)**
Employees expenses	1,672	4,983	4,547	2,553	1,402	**15,157**
Other service expenses	1,679	3,122	38,364	1,226	996	**45,387**
Levies	0	0	1,248	0	0	**1,248**
Total expenditure	3,351	8,105	44,159	3,779	2,398	**61,792**
Net Expenditure	**1,590**	**4,373**	**6,053**	**1,947**	**2,040**	**16,003**

Net expenditure in the Directorate Analysis	**16,003**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	**4,233**
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	**(1,473)**
Cost of services in the Comprehensive Income and Expenditure Statement	**18,763**

Directorate income and expenditure 2010/11:

	Business, Infrastructure and Planning £000	Environment and leisure £000	Resources and Customer Services £000	Housing and Development £000	Policy and Governance £000	Total £000
Fees, charges and other service income	(1,617)	(4,159)	(414)	(1,619)	(257)	**(8,066)**
Government grants	(465)	(169)	(35,913)	(298)	(34)	**(36,879)**
Total income	(2,082)	(4,328)	(36,327)	(1,917)	(291)	**(44,945)**
Employees expenses	1,861	5,702	5,776	2,306	1,639	**17,284**
Other service expenses	2,011	3,775	36,958	1,408	643	**44,795**
Depreciation	22	184	0	0	0	**206**
Levies	0	0	1,220	0	0	**1,220**
Total expenditure	3,894	9,661	43,954	3,714	2,282	**63,505**
Net Expenditure	**1,812**	**5,333**	**7,627**	**1,797**	**1,991**	**18,560**

Net expenditure in the Directorate Analysis	**18,560**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	**(4,566)**
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	**(1,775)**
Cost of services in the Comprehensive Income and Expenditure Statement	**12,219**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the subjective analysis of the income and expenditure account included in the reports to management relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	Directorate Analysis £000	Amounts reported to Management below Directorate Analysis £000	Amounts not reported to Management for decision making £000	Amounts not included in CIES £000	Total £000
Fees, charges and other service income	(7,744)	(162)	0	(319)	(8,225)
Interest and investment income	0	(345)	(11)	0	(356)
Income from Council Tax	0	(8,103)	(60)	0	(8,163)
Government grants and contributions	(38,045)	(8,906)	(2,586)	0	(49,537)
Total income	**(45,789)**	**(17,516)**	**(2,657)**	**(319)**	**(66,281)**
Employee expenses	15,157	0	1,168	0	16,325
Other service expenses	45,387	0	3,354	0	48,741
Depreciation, revaluation and impairment	0	175	2,216	(175)	2,216
Interest payments	0	543	0	0	543
Precept and levies	1,248	733	0	0	1,981
Payments to housing capital receipts pool	0	0	2	0	2
Gain or loss on disposal of non-current assets	0	0	(30)	0	(30)
Total expenditure	**61,792**	**1,451**	**6,710**	**(175)**	**69,778**
(Surplus) or Deficit on the Provision of Services	**16,003**	**(16,065)**	**4,053**	**(494)**	**3,497**

2010/11 Comparative Figures	Directorate Analysis £000	Amounts reported to Management below Directorate Analysis £000	Amounts not reported to Management for decision making £000	Amounts not included in CIES £000	Total £000
Fees, charges and other service income	(8,066)	(841)	0	413	(8,494)
Interest and investment income	0	(372)	(9)	0	(381)
Income from Council Tax	0	(8,104)	61	0	(8,043)
Government grants and contributions	(36,879)	(10,264)	(3,931)	0	(51,074)
Total income	**(44,945)**	**(19,581)**	**(3,879)**	**413**	**(67,992)**
Employee expenses	17,284	0	(7,906)	0	9,378
Other service expenses	44,795	0	3,600	0	48,395
Depreciation, revaluation and impairment	206	185	7,003	(185)	7,209
Interest payments	0	641	(5)	0	636
Precept and levies	1,220	701	0	0	1,921
Payments to housing capital receipts pool	0	0	31	0	31
Gain or loss on disposal of non-current assets	0	0	2	0	2
Total expenditure	**63,505**	**1,527**	**2,725**	**(185)**	**67,572**
(Surplus) or Deficit on the Provision of Services	**18,560**	**(18,054)**	**(1,154)**	**228**	**(420)**

30. TRADING OPERATIONS

Included within the expenditure figures below are capital charges (depreciation and impairment) which are reversed out of the General Fund Balance through the Movement in Reverses Statement to ensure there is no impact on the Council Taxpayer.

Market Undertaking
The Council operates outdoor markets in March, Chatteris and Whittlesey. Following the transfer of Wisbech Market Place to Wisbech Town Council on 27 July 2011, the Council has managed Wisbech Market on behalf of the Town Council under a Service Level Agreement. Overall financial results were as follows:

	2011/12 £000	2010/11 £000
Expenditure	**170**	138
Income from Stallholders and SLA	**(107)**	(122)
Deficit taken to General Fund	**63**	16

After adjusting for capital charges the net operating deficit is £36,268 (2010/11: £13,793).

Port Undertaking
The Council is the statutory Port Authority for the Port of Wisbech. Financial results were as follows:

	2011/12 £000	2010/11 £000
Expenditure	**1,276**	1,532
Income from Port Users	**(833)**	(595)
Deficit taken to General Fund	**443**	937

After adjusting for capital charges the net operating deficit is £102,281 (2010/11: £388,927).

Mini-factories and Office Units
The Council operates 66 mini-factory units in March, Chatteris, Wisbech and Leverington. South Fens Business Centre, Chatteris offers 45 office units. Venture House, Wisbech offers 3 office units and The Boathouse, Wisbech offers 37 office units. Financial results were as follows:

	2011/12 £000	2010/11 £000
Expenditure	**952**	2,253
Income from Rents	**(694)**	(641)
Deficit taken to General Fund	**258**	1,612

After adjusting for capital charges the net operating deficit is £117,234 (2010/11: £130,345).

Estates
Estate areas amounting to 44.5 acres are operated by the Council. Financial results are below:

	2011/12 £000	2010/11 £000
Expenditure	**9**	19
Income from Rents	**(4)**	(9)
Deficit taken to General Fund	**5**	10

After adjusting for capital charges the net operating deficit is £5,376 (2010/11: £9,814).

Trade Waste
The financial results for Trade Waste were as follows:

	2011/12 £000	2010/11 £000
Expenditure	**274**	241
Income	**(256)**	(166)
Deficit taken to General Fund	**18**	75

After adjusting for capital charges the net operating surplus is £10,634 (2010/11: £47,890 deficit).

31. MEMBERS' ALLOWANCES

The total amount of members' allowances paid in 2011/12 including all payments in relation to remuneration, was £330,288 (2010/11: £328,025).

32. EMPLOYEES' REMUNERATION

The numbers of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 are shown in the table below.

Remuneration Band	Number of Employees 2011/12 Total	2010/11 Total
£50,000 - £54,999	**6**	10
£55,000 - £59,999	**4**	5
£60,000 - £64,999	**2**	2
£65,000 - £69,999	**1**	0
£75,000 - £79,999	**0**	1
£80,000 - £84,999	**1**	3
£85,000 - £89,999	**2**	2
£95,000 - £99,999	**0**	1
£100,000 - £104,999	**1**	0
£105,000 - £109,999	**1**	0
£115,000 - £119,999	**0**	1
£125,000 – £129,999	**1**	0
£135,000 - £139,999	**0**	1
£140,000 - £144,999	**0**	1
£385,000 - £389,999	**0**	1

The following table sets out the remuneration disclosures for senior officers whose salary is less than £150,000 but equal to or more than £50,000 per year (included in above table).

Senior Officers Remuneration 2011/12

Name		Gross Salary £	Compensation for Loss of Office £	Benefits in Kind (e.g. car allowance) £	Total Remuneration (excl. Pension contributions) £	Employers Pension Contributions £	Total Remuneration (incl. pension contributions) £
Chief Executive - A	Note 1	103,200	0	2,000	105,200	19,814	125,014
Chief Executive - B	Note 2	68,800	0	2,000	70,800	13,210	84,010
Deputy Chief Executive	Note 3	52,500	0	5,250	57,750	10,080	67,830
Corporate Director and Chief Finance Officer		94,167	0	9,537	103,704	18,080	121,784
Corporate Director and Monitoring Officer		81,004	0	7,875	88,879	15,553	104,432

Note 1: The Chief Executive retired with effect from 31 December 2011. The annualised salary was £137,600.

Note 2: The Chief Executive commenced duties with effect from 1 October 2011. The annualised salary was £137,600.

Note 3: The Deputy Chief Executive was successful in becoming the new Chief Executive with effect from 1 October 2011. The annualised salary was £105,000.

Senior Officers Remuneration 2010/11

Name		Gross Salary £	Compensation for Loss of Office £	Benefits in Kind (e.g. car allowance) £	Total Remuneration (excl. Pension contributions) £	Employers Pension Contributions £	Total Remuneration (incl. pension contributions) £
Chief Executive - A	Note 1	71,252	299,148	18,137	388,537	12,079	400,616
Chief Executive - B	Note 2	117,256	0	2,000	119,256	22,513	141,769
Deputy Chief Executive - A	Note 3	14,868	0	1,552	16,420	2,855	19,275
Deputy Chief Executive - B	Note 4	89,476	0	10,919	100,395	17,179	117,574
Executive Director	Note 5	14,094	0	1,423	15,517	2,706	18,223
Corporate Director and Chief Finance Officer		89,503	0	9,454	98,957	17,185	116,142

Note 1: The Chief Executive took early retirement on 1September 2010 on the grounds of efficiency of the service. Compensation was paid in accordance with the Council's approved policy for efficiency terminations. The annualised salary was £149,985.

Note 2: The Chief Executive commenced duties with effect from 25 May 2010. The annualised salary was £137,600.

Note 3: The Deputy Chief Executive was successful in becoming the new Chief Executive with effect from 25 May 2010. The annualised salary was £100,561.

Note 4: The new Deputy Chief Executive commenced duties with effect from 25 May 2010. The annualised salary was £105,000.

Note 5: The Executive Director was successful in becoming the new Deputy Chief Executive with effect from 25 May 2010. The annualised salary was £95,326.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2010/11	**2011/12**	2010/11	**2011/12**	2010/11	**2011/12**	2010/11 £000	**2011/12 £000**
£0 - £20,000	25	**30**	5	**3**	30	**33**	170	**229**
£20,001- £40,000	5	**4**	1	**0**	6	**4**	192	**115**
£40,001- £60,000	3	**1**	0	**0**	3	**1**	139	**43**
£250,001- £300,000	0	**0**	1	**0**	1	**0**	299	**0**
Total	33	**35**	7	**3**	40	**38**	800	**387**

33. EXTERNAL AUDIT COSTS

In 2011/12 Fenland District Council incurred the following fees relating to external audit and inspection:

	2011/12 £000	**2010/11 £000**
Fees payable with regard to external audit services carried out by the appointed auditor	**77**	99
Fees payable for the certification of grant claims and returns	**48**	69
Fees payable to the Audit Commission in respect of services provided – National Fraud Initiative	**0**	2
Total Audit Costs	**125**	**170**

Fees incurred in the year relate to services provided by the relevant external auditor. Due to the statutory timetable for the audit of accounts, services provided and fees incurred during one year generally relate to the audit of the previous years accounts. Consequently, the majority of costs incurred for the 2011/12 audit will be paid and accounted for in 2012/13.

Although the basic fee for the audit is agreed in advance, the fees payable for the certification of grant claims and returns can vary considerably from year to year. In 2012/13, fees of £68,801 will be incurred relating to the audit of the 2011/12 accounts together with as yet unquantifiable costs relating to grant claims.

The total indicative fee for the audit and inspection work for 2011/12 (excluding the certification of grants and returns) was £107,801 (2010/11: £113,475). Only £39,000 of this was paid and is included within the £77,000 disclosure for fees payable to the external audit services in 2011/12 (see table above).

34. GRANT INCOME

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £000	Restated 2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Non domestic rates	**6,084**	8,402
Revenue Support Grant	**1,880**	1,220
Council Tax Freeze & Transitional Grant	**337**	0
New Homes Bonus Grant	**340**	0
Area Based Grant	**265**	642
Capital Grants and Contributions	**2,058**	972
Total	**10,964**	**11,236**
Credited to Services		
Council Tax Benefits Subsidy	**7,996**	7,983
Rent Allowance Subsidy	**28,525**	26,866
Capital Grants and Contributions	**528**	0
Benefits Administration Grant	**876**	920
Community Safety	**82**	121
NNDR Cost of Collection	**128**	129
Concessionary Fares	**0**	229
Housing Growth	**0**	237
Care and Repair Grant	**111**	0
Homelessness and Mortgage Rescue Grant	**119**	0
Other	**208**	9
Total	**38,573**	**36,494**

The Council has restated the grant income reported in 2010/11 for NNDR Cost of Collection (previously £138k) to reconcile with the figure reported in the Collection Fund Accounts.

The Council has received a number of developer contributions that have yet to be recognised as income as they have conditions attached to them that require the monies to be returned to the giver if not used as prescribed. This liability is recognised in the Balance Sheet at £476,133 (2010/11: £515,336).

35. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. No material related party transaction balances remain outstanding at year end.

Central Government
Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions.

Members
A number of elected members are also members of Cambridgeshire County Council, Town and Parish Councils and have an interest in voluntary organisations that are grant aided by the Council.

36. LONG TERM BORROWING

Source of loan	**Rates of interest payable**	**Total outstanding**	
		2011/12	**2010/11**
	%	**£000**	**£000**
Public Works Loan Board	4.100 – 7.625	**4,500**	5,000
Money Market Loan	4.700	**3,300**	3,300
		7,800	8,300
An analysis of loans by maturity is:			
Maturing in 2-5 years		**0**	500
Over 10 years		**7,800**	7,800
		7,800	8,300

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	**859**	**1,044**
Capital investment (as reported in notes 12-14)		
Property, Plant and Equipment	**4,034**	2,882
Investment Properties	**0**	416
Intangible Assets	**58**	120
Capital expenditure charged to Comprehensive Income and Expenditure Statement		
Revenue Expenditure Funded from Capital under Statute	**3,378**	3,621
Long Term Debtors	**5**	450
Sources of finance		
Capital receipts	**(4,448)**	(3,468)
Government grants and other contributions	**(3,156)**	(4,012)
Sums set aside from revenue:		
Direct revenue contributions	**(24)**	(9)
MRP	**(175)**	(185)
Closing Capital Financing Requirement	**531**	**859**
Explanation of movements in year		
MRP charge to Revenue	**(175)**	(185)
Application of Voluntary capital receipts	**(153)**	0
Decrease in Capital Financing Requirement	**(328)**	**(185)**

38. LEASES

Council as Lessee
Finance Leases

The Council leases a number of vehicles and a workboat under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at £531,357 (2010/11: £711,863).

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

	2011/12 £000	2010/11 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	**161**	176
• non –current	**364**	525
Finance costs payable in future years	**59**	97
Minimum lease payments	**584**	**798**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	**31 March 2011 £000**	**31 March 2012 £000**	**31 March 2011 £000**
Not later than one year	**190**	214	**161**	176
Later than one year and not later than five years	**394**	542	**364**	483
Later than five years	**0**	42	**0**	42
	584	798	**525**	701

Operating Leases - Vehicles, Plant and Equipment
The Council leases contract hire cars and fitness equipment by entering into operating leases, with typical lives of three to five years.

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

	31 March 2012 £000	**31 March 2011 £000**
Not later than one year	**120**	163
Later than one year and not later than five years	**62**	147
	182	**310**

Lease payments for 2011/12 amounted to £141,307 (2010/11: £252,486).

Operating Leases - Land and Buildings
The Council leases the Whittlesey, Wisbech, March and Chatteris Fenland @ Your Service shops (on leases ranging from 5 to 15 years with review dates every 5 years). In addition the Council leases seven properties for homeless families.

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

	31 March 2012 £000	**31 March 2011 £000**
Not later than one year	**125**	100
Later than one year and not later than five years	**211**	247
Later than five years	**72**	104
	408	**451**

Lease payments for 2011/12 amounted to £125,046 (2010/11: £97,905).

Council as Lessor
Operating Leases
The Council leases out land and property under operating leases for the purposes of provision of community (sports facilities) and economic development services.

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

	31 March 2012 £000	31 March 2011 £000
Not later than one year	**66**	55
Later than one year and not later than five years	**122**	172
Later than five years	**514**	714
	702	**941**

39. IMPAIRMENT LOSSES

Impairment losses are reported in Note 12 above. During 2011/12 the Council has recognised impairment losses of £579,655 on Property Plant and Equipment. The majority of this impairment (£479,929) relates to enhancements undertaken at the King Edward Centre, Chatteris. This work was capitalised under proper capital accounting regulations but cannot be added to the Council's balance sheet valuation due to its classification as a finance lease.
The remaining impairment loss of £99,726 relates to Other Lands and Buildings assets where the value in use recoverable amount has fallen below the assets carrying value.

The impairment losses have been charged to the Revaluation Reserve where there is a balance of revaluation gains (£86,323), any remaining losses (£493,332) have been charged to the Comprehensive Income and Expenditure Statement.

40. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2011/12, resulting from a programme of service staffing reviews, incurring redundancy/compensation costs of £386,502 (£800,196 in 2010/11) – see note 32 for the number of exit packages and total cost per band.

41. PENSIONS

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

The Council participates in the following pension scheme:

- 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 Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Retirement Benefits
We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions, However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions are charged across all service headings in the Net Cost of Services in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	
Comprehensive Income and Expenditure Statement	**2011/12 £000**	**2010/11 £000**
Cost of Services:		
• Current service cost	**1,878**	2,268
• Past service cost	**0**	(9,267)
• Curtailments	**428**	63
Financing and Investment Income and Expenditure		
• Interest cost	**4,250**	4,668
• Expected return on assets in the scheme	**(3,295)**	(3,364)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**3,261**	(5,632)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• Actuarial gains and losses	**6,636**	(8,018)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**9,897**	(13,650)
Movement in Reserves Statement:		
• Reversal of net charges made to the Surplus of Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(3,261)**	5,632
Actual amount charged against General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	**2,100**	**2,235**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement since 2004/05 is a net loss of £33.051m (2010/11 £26.415m).

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer

Prices Index (CPI) rather than Retail Price Index (RPI).

In 2010/11, this had the effect of reducing this Council's liabilities in Cambridgeshire County Council's Pension Fund by £9.3m which was recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48, since the change was considered to be a change in benefit entitlement. There was no impact upon the General Fund.

Assets and Liabilities in Relation to Post-employment Benefits

	Funded Liabilities: Local Government Pension Scheme	
Reconciliation of present value of the	**2011/12**	**2010/11**
scheme liabilities (defined benefit obligation)	**£000**	**£000**
Opening balance at 1 April	**(77,366)**	(92,062)
Current Service Costs	**(1,878)**	(2,268)
Interest Cost	**(4,250)**	(4,668)
Contributions by scheme participants	**(635)**	(730)
Actuarial (Losses)/Gains	**(3,555)**	10,172
Past Service Costs	**0**	9,267
Losses on Curtailments	**(428)**	(63)
Benefits paid	**3,114**	2,986
Closing balance at 31 March	**(84,998)**	**(77,366)**

	Local Government Pension Scheme	
Reconciliation of fair value of the	**2011/12**	**2010/11**
scheme assets	**£000**	**£000**
Opening balance at 1 April	**48,651**	47,462
Expected rate of return	**3,295**	3,364
Contributions by scheme participants	**635**	730
Employer Contributions	**2,100**	2,235
Actuarial Losses	**(3,081)**	(2,154)
Benefits paid	**(3,114)**	(2,986)
Closing balance at 31 March	**48,486**	**48,651**

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 £0.226m (2010/11: £3.036m).

Scheme History	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
Present value of liabilities	**(84,998)**	(77,366)	(92,062)	(54,193)	(55,396)
Fair value of assets	**48,486**	48,651	47,462	35,200	42,928
Deficit in the scheme	**(36,512)**	(28,715)	(44,600)	(18,993)	(12,468)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £36.512m (£28.715m at 31 March 2011) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £1.777m (2011/12 £2.071m).

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2011/12	**2010/11**
Long –term expected rate of return on assets in the scheme		
Equity Investments	**6.3%**	**7.5%**
Bonds	**3.3%**	**4.9%**
Property	**4.4%**	**5.5%**
Cash	**3.5%**	**4.6%**
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	**21.0 years**	**21.0 years**
Women	**23.8 years**	**23.8 years**
Longevity at 65 for future pensioners*		
Men	**22.9 years**	**22.9 years**
Women	**25.7 years**	**25.7 years**

Rate of inflation	**2.5%**	**2.8%**
Rate of increase in salaries	**4.8%**	**5.1%**
Rate of increase in pensions	**2.5%**	**2.8%**
Rate for discounting scheme liabilities	**4.8%**	**5.5%**
Take-up option to convert annual pension Into retirement lump sum	**25%**	**25%**

*Mortality assumptions for future pensioners are based on employees who are currently 45.

Constitution of the Fair Value of Scheme Assets

The pension schemes assets consist of the following categories, by proportion of the total assets held:

	31 March 2012	**31 March 2011**
	%	**%**
Equity Investments	**72**	73
Bonds	**14**	15
Property	**9**	8
Cash	**5**	4
	100	**100**

History of experience gains and losses

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

	2011/12	**2010/11**	**2009/10**	**2008/09**	**2007/08**
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	**(6.35)**	(4.43)	19.56	(31.86)	(20.05)
Experience gains and losses on liabilities	**(1.27)**	(0.71)	(0.17)	0.16	0.23

Further information can be found in Cambridgeshire County Council's Pensions Fund Annual Report, which is available from the Director of Finance, Property and Performance, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

42. CONTINGENT LIABILITIES AND ASSETS

Material contingent liabilities and assets are not recognised within the accounts as an item of expenditure or income, but are required to be disclosed in a note to the accounts.

Contingent Liabilities

Insurance

In 1992/93, the Council's insurers, Municipal Mutual Insurance (MMI) Limited, ceased taking new business and are now being managed under a "scheme of arrangement". The Council's claims payments under this arrangement are £335,542. It is possible that a proportion of this may need to be repaid by the Council if the scheme of arrangement triggers insolvency, but the amount cannot be quantified at this stage. MMI are cautiously optimistic that, on the basis of all the information currently known to them, a solvent run off can be achieved.

Stock Transfer

As part of the stock transfer agreement completed on 5 November 2007, the Council gave Roddons HA certain warranties in relation to transferring staff, property and environmental pollution. This is to ensure that there are no matters in connection with the land or property transferring that could cause the housing association financial or other loss. The Council has given warranties both to the association and separately to the association's funders. This is standard practice for all stock transfers. The duration of the various warranties in the contract are up to 30 years from completion.

The potential amounts the Council could be liable for under these warranties are unquantifiable. However, the risks associated with the warranties are considered low and therefore are not expected to have a material impact on the Council's accounts.

Land Charges – Personal Search Inspections

Under the Environmental Information Regulations, the Council is no longer entitled to charge for personal inspection of the Local Land Charges Register. In addition, the Information Commission has decided that certain classes of information and environmental information can be inspected free of charge. Nationally, court proceedings are currently taking place to determine the extent (if any) of the liability of local authorities for repayment of previously charged fees to personal search companies. It is not possible at this stage to determine the extent or to quantify the amount of any potential liability of the Council for repayment of fees. However, it is not expected to have a material impact on the Council's accounts.

Pilots National Pension Fund

The Council provides a Pilotage Service to ensure the safe navigation of commercial ships from The Wash to Wisbech and Sutton Bridge. Past and current Pilots who carry out this service on behalf of the Council are members of the Pilots National Pension Fund (PNPF). Contributions to this fund is by way of a prescribed formula set by the PNPF and the amounts paid over are recoverable from Pilotage Fees levied by the Council on the ships using the service. Court action now appears to be at an end and work has begun by the PNPF on an updated formal actuarial valuation. It is not possible at this stage to determine the extent or to quantify the amount or repayment options of any potential liability of this Council. The Council is allowed to set fees at a level to recover these costs so the impact on the Council's accounts is not expected to be material.

Contingent Assets

VAT – Commercial Waste Collection Services

HM Revenue and Customs (HMRC) ruled in spring 2011 that Local Authority run trade waste collection services are non business activities and so outside the scope of VAT.

The Council has submitted a claim for the repayment of £100,242 of VAT plus interest (net of fees) paid over to HMRC in relation to trade waste collection services for the period from 1 April 2008 to 30 April 2011, which is when the Council ceased to account for output VAT on trade waste collection services.

As at 31 March 2012 the claim remains outstanding, pending a decision by HMRC as to whether in their opinion the Council will be unjustly enriched if HMRC makes a repayment.

THE COLLECTION FUND

This shows the transactions in relation to the collection of Council Tax and National Non-Domestic Rates (NNDR). The account shows how the amounts collected have been distributed to Cambridgeshire County Council, Police and Fire Authorities and to the District Council's General Fund as well as to the NNDR Pool.

	Note	2011/12 £000	2010/11 £000
INCOME			
Council Tax	1	**39,679**	39,315
National Non-Domestic Rates	2	**21,881**	19,953
Council Tax Benefit from General Fund	1	**7,914**	7,897
		69,474	67,165
EXPENDITURE			
Precepts and Demands:			
Fenland District Council			
Precept		**8,166**	8,134
Deficit		**(63)**	(30)
Cambridgeshire County Council			
Precept		**32,242**	32,242
Deficit		**(252)**	(117)
Cambridgeshire Police Authority			
Precept		**5,218**	5,218
Deficit		**(41)**	(19)
Cambridgeshire Fire Authority			
Precept		**1,780**	1,780
Deficit		**(14)**	(6)
		47,036	47,202
Non Domestic Rates:			
Payment to NNDR Pool		**21,753**	19,824
Cost of Collection Allowance		**128**	129
Council Tax Write Offs		**181**	384
Increase/(Reduction) in CT Bad Debts Provision		**28**	(20)
		69,126	67,519
Deficit/(Surplus) for the Year		**(348)**	354
Deficit as at 1 April	4	**634**	280
Deficit as at 31 March	4	**286**	634

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX

Council Tax income is derived from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated valuations as at 1 April 1991. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cambridgeshire County Council, Cambridgeshire Police Authority, Cambridgeshire Fire Authority and the Council for the forthcoming year, and dividing this figure by the Council Tax base of 30,772 in 2011/12 (2010/11: 30,772). The Council Tax Base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent adjusted for discounts etc. This basic amount of tax for a Band D property (£1,540.59 for 2011/12 compared to £1,539.54 for 2010/11) is then multiplied by the proportion specified for the particular Band (after adjusting for individual Parish Council precepts) to give an individual amount due.

Council Tax bills were based on the following proportions for Bands A to H:

	Proportion of Band D Charge (ninths)	Equated no of Chargeable Dwellings
Band A with Dis Relief	5	16
Band A	6	9,220
Band B	7	7,918
Band C	8	6,664
Band D	9	3,862
Band E	11	2,191
Band F	13	653
Band G	15	226
Band H	18	22
		30,772

The income of £47,593,329 for 2011/12 is receivable from the following sources:

	2011/12 £000	**2010/11 £000**
Billed to Council Tax payers	**39,679**	39,315
Council Tax Benefits	**7,914**	7,897
	47,593	47,212

2. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is currently organised on a national basis with the Government specifying an amount of 43.3p in 2011/12 and 41.4p in 2010/11.

Subject to the effects of continuing transition arrangements (including a rate of 42.6p in 2011/12 for any businesses with an RV of less that £18,000) rates are calculated and charged by multiplying individual rateable values by the specified amount.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR Pool administered by the Government who then in turn distribute the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income of £21,881,296 for 2011/12 (2010/11: £19,952,997) after reliefs and provisions of £6,421,385 (2010/11: £6,405,316) was based on an aggregated rateable value for the Council's area of £61,842,908 for the year (2010/11: £59,762,729). Revised valuations came into effect from 1 April 2010, following a major revaluation exercise. Total non-domestic rateable value at 31 March 2012 was £62,167,711 (£61,518,106 at 31 March 2011).

3. PROVISION FOR NON PAYMENT OF COUNCIL TAX

A contribution of £208,591 (2010/11: £364,495) was made to a provision for bad debts. During 2011/12, £180,688 of irrecoverable debts were written off (2010/11: £384,403).

4. DEFICIT ON COLLECTION FUND

The deficit of £286,270 at 31 March 2012 (£634,457 deficit at 31 March 2011), which related to Council Tax, will be recovered in subsequent financial years from Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

This Council's share of the Collection Fund deficit (£0.049m) is reported within the Collection Fund Adjustment Account.

The total Collection Fund deficit is therefore shared as follows:

	31 March 2012 £000	**31 March 2011 £000**
Fenland District Council	**49**	109
Cambridgeshire County Council	**195**	431
Cambridgeshire Police Authority	**31**	70
Cambridgeshire Fire Authority	**11**	24
Total Deficit	**286**	**634**

Independent auditors' report to the Members of Fenland District Council

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

Respective responsibilities of the Corporate Director and Chief Finance Officer and auditors

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

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

Scope of the audit of the statement of accounts

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

Opinion on statement of accounts

In our opinion the statement of accounts:

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

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

Opinion on other matter

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

Matters on which we are required to report by exception

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

Ciaran McLaughlin
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
London
25 September 2012

Conclusion on the Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditors' responsibilities

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

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

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

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

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

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

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

Conclusion

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

Certificate

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

Ciaran McLaughlin
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
London
25 September 2012

Notes:

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

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

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Fenland District 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 in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Fenland District Council is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk.

Fenland District Council has approved and adopted a 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.fenland.gov.uk or can be obtained from the Chief Finance Officer. This statement explains how Fenland District Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the Council 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 risk 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 Fenland District 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 Fenland District Council for the year ended 31 March 2012 and up to the date of approval of the annual performance report and Statement of Accounts.

The governance framework

Fenland District 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 an annual governance statement. This governance statement meets that requirement and sets out brief details of the arrangements that the Council has in place regarding the key systems and processes comprising the Councils governance framework, which incorporates the Local Code of 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 2006”.

The key elements of the systems and processes that comprise the Council’s governance arrangements are as follows:

Organisation and community focus

The Corporate Planning Framework of the Council ensures the delivery of services and projects to improve quality of life for Fenland residents. Partners, through the Fenland Strategic Partnership, meet and establish priorities for delivery to address the statutory duty of promoting the well being of the district. The Council, through its Corporate Plan establishes its objectives by consultation with its key regional/local partners and the public as well as with reference to statutory duties, local needs and national priorities. The Corporate Plan communicates the Council’s vision of its purpose and intended outcomes for citizens and service users. The Corporate Plan objectives are then cascaded down to team and staff objectives. Achievement of corporate objectives is monitored regularly via the performance monitoring framework and monitoring reports to the Overview and Scrutiny Panel and Full Council. Progress against intended outcomes is reported in the Council’s Annual Report.

The Council’s capacity to deliver its vision is reviewed within operational plans that support the Corporate Plan each year. Service quality is measured via customer communication channels and by measurement of performance indicators against similar service providers. Testament to the high quality service the Council provides is the achievement of corporate Customer Service Excellence. The Council’s Policy Team and Overview and Scrutiny Committee review processes for efficient and effective use of resources.

The Council ensures that channels for communication with all sections of the community and other stakeholders are extensive and enable open consultation and feedback on decisions and performance.

Promotion and demonstration of good governance values

The Council has in place the Code of Conduct for Council Members. All Council Members are required to sign a registration of interests within 28 days of their acceptance of office. A standing item of all Council meeting agendas is the item requiring declaration of interests. The Council has in place a Standards Committee and Monitoring Officer to promote and maintain high standards of conduct by members. National changes to the standards regime are currently being implemented which will result in the creation of a Conduct Committee and changes to the Council’s constitution.

There is a staff Code of conduct, Capability and Disciplinary procedure, Anti-fraud and corruption policy, Whistle blowing policy, Values statement and Competency framework. The Internal Audit and Human Resource Services of the Council monitor and report upon the effectiveness of staff codes for conduct.

Transparent decision-making and effective risk management.

The Council has adopted a constitution, which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Council maintains a Constitution detailing Member structures and roles, including relationships to Senior Officer roles. The Constitution enables determination of delegated and reserved powers and details those matters reserved for collective decision of the Council. Committee Rules of Procedure enable Committee Members to have access to relevant information and officers to support decision-making. The Overview and Scrutiny Panel has the power of call-in, entitling it to recommend re-consideration of decisions made, but not implemented. The Corporate Governance Committee has responsibility for reviewing governance arrangements.

The Governance Framework extends into the Council's relationships with its key partners and provides assurance as to the performance and achievement of shared objectives and intended outcomes. Performance is published in the Council's annual report, Overview and Scrutiny reports and Full Council reports.

The Council has a Risk Management Strategy and Standard that has enabled the monitoring of risk within projects, Service Plans, performance management, Financial planning, Policy setting and Decision making. The Risk Management Framework enables risks to be escalated to an appropriate authority in the organisation to be managed. The Corporate Risk Register is reported as appropriate, at least biannually, and the Risk Management Strategy is reviewed annually by Corporate Governance Committee.

Compliance with Policy, Procedure, Law and Regulation

The Council's statutory officers are the Head of Paid Service – the Chief Executive, the Corporate Director & Chief Finance Officer and the Corporate Director & Monitoring Officer. They are responsible for ensuring that the Council operates within the law and in accordance with established policy and procedure.

The Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. The Chief Finance Officer is specifically responsible for the proper discharge of the Council's financial arrangements and must advise Members where any proposal is unlawful, or where expenditure is likely to exceed resources. The Corporate Management Team (CMT) has responsibility for ensuring that legislation is implemented and complied with within service areas.

Assurance that this is achieved is obtained from Internal Audit reviews, the work of the Council's Legal Service, external inspectors' reports, review of complaints and ombudsman's reports and self assessments completed by the Corporate Directors of the Council.

The Council maintains an Internal Audit Service, which operates to the standards set out in the CIPFA 'Code of Practice for Internal Audit in Local Government in the UK'. Each year the Internal Audit service performs a risk-based assessment of Council services and activities that identifies areas of greatest corporate importance and risk, for review during the year. These reviews are reported to the appropriate member of the Corporate Management Team and the Chief Finance Officer and action plans are monitored by the Internal Audit service to ensure effective completion. The Audit Plan and the report on the previous year's activity are reported to the Corporate Governance Committee.

Member and officer skills and competences, in relation to their roles, are monitored and developed via training and awareness sessions throughout the year. Development needs are identified from induction and through the staff annual appraisal system, which is linked to Corporate and Service Planning.

Economic, Effective and Efficient Use of Resources and Continuous Improvement

The Council promotes and provides regular training in respect of its Financial Regulations and Code of Procurement to aid financial control and effective expenditure. The Council's Corporate Plan drives the Medium Term Financial Strategy and resource allocation. Measures of service delivery against the corporate objectives are determined, which measure factors such as quality and efficiency. These measures are jointly monitored on a monthly basis through Cabinet/CMT Portfolio Holder Briefings and scrutinised by the Overview and Scrutiny panel.

A commitment to continuous improvement is achieved through training, consultation, performance measurement, complaints and comments. The Council utilises internal and external inspections to inform the performance standards and methods of operation for its key services. Customer Service Excellence accreditation has in particular helped to ensure high standards of customer care.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. Systems and processes include:

- Comprehensive budget setting systems
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts
- Setting targets to measure financial and other performance
- A Medium Term Financial Strategy.
- Clearly defined capital expenditure guidelines, authorisation and monitoring
- The Fenland Strategic Partnership includes constitution arrangements that govern decision-making and control of financial commitments between key partners and the Council.
- Where appropriate, formal project and risk management disciplines

All of the above are performed in accordance with prescribed and best practice guidelines from appropriate professional bodies and institutions.

Performance Management Framework

The Council has a robust and comprehensive performance management framework in place that ensures monitoring on performance, finance and risks in relation to achievement of service and corporate objectives. The process ensures inclusion of Corporate Management Team and Cabinet Members. The Council has a Policy and Performance team to enhance the control environment by ensuring the accurate and timely measurement and management of key performance indicators and data quality in performance information.

The Council identifies its key systems and ensures that robust continuity and risk management arrangements exist, to maintain delivery of key services and financial systems.

Statement on the Role of the Chief Financial Officer.

Fenland District Council operated arrangements during the year that conformed to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). This was demonstrated in a review, by the Council's Internal Audit service, of Governance arrangements against the prescribed standards of CIPFA.

Review of effectiveness

Fenland District 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 the CMT (Corporate Management Team) and Management within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The following actions and processes have been applied in maintaining and reviewing the effectiveness of the system of internal control over the last twelve months:

Council

The Council has agreed a number of policies and corporate documents:

- A three year Corporate Plan, linking various plans and cross cutting strategies, ensures delivery of Corporate and District-wide objectives.
- An annual report detailing the Council's achievements and performance.
- The Council's Constitution has been reviewed during the year to reflect key changes in policy. This included a return to a single Overview & Scrutiny Committee.
- The Medium Term Financial Strategy has been reviewed and updated and is embedded in the business planning process. Additionally the Council has approved treasury and investment strategies, the General Fund budget and Council Tax levels.
- The Council adopted the senior manager pay policy statement as per the Localism Act 2011.
- The Council has approved a change to the Corporate Management Team and appointed a new Chief Executive, Electoral Registration Officer, and appointed a new Monitoring Officer.
- The Council continues to meet its obligations under the Civil Contingencies Act and prepares itself for an emergency event by developing and testing its Emergency Plans and Corporate Continuity Plan.

Cabinet and Corporate Management Team

Effective financial control resulted in the Council responding to budgetary changes, and achieving an under-spend in the revised General Fund budget and Capital programme. Significant planned efficiencies have been delivered, without use of reserves.

The Corporate Management Team has ensured a robust and resilient budget for the following year. Within the year the Portfolio Holder for Finance, and the Cabinet, have received regular budget monitoring reports showing the Council's financial performance.

The Cabinet and Corporate Management Team have ensured maintenance of acceptable standards in financial reporting, standing and control as reported upon by the Council's external auditors.

Appropriate arrangements are in place for identifying and delivering structured member training and skills development needs. The staff and councillor induction process continues to encompass statutory obligations and identification of further induction training specific to individual services and roles.

The Corporate Management Team has ensured data management and security standards for effectively sharing data between Council and Government bodies.

Effective communication and consultation has been maintained, through the principles of the Customer Service Excellence inspection standard, with all stakeholders and sections of the community.

The Corporate Management Team has completed an assessment of bribery and corruption risk.

A number of key decisions, that demonstrated a commitment to good governance, have been made:

- Committing to the 'Transport for Cambridgeshire' project;
- Approved a draft 'Statement of community involvement' for purposes of public consultation;
- Adopted an advanced charter for Cambridgeshire and Peterborough Waste Partnership (RECAP);
- Endorsed the Making Assets Count asset management strategy;
- Approved the articles of association for the Cambridgeshire and Peterborough Local Enterprise Partnership (LEP).

Corporate Governance

The Corporate Governance Committee has:-

- Approved and monitored the actions for improvement as required in the previous Annual Governance Statement.
- Approved and monitored the Risk Management framework and Corporate Risk Register.
- Monitored performance of the Internal Audit function and approved the strategy and terms of reference.
- Reviewed revisions to the Regulatory of Investigatory Powers Act.
- Reviewed the corporate Anti-Fraud and Corruption policy, including a review of Bribery risk in response to the Bribery Act 2010 that was enacted 1st July 2011.
- Overseen the maintenance of standards in financial reporting, standing and internal control.
- Overseen the implementation of International Financial Reporting Standards (IFRS) for the 2010/11 accounts.
- Approved the Statement of Accounts.

Standards, conduct and ethical behaviour

The Council has a Monitoring Officer, and Standards Committee, to promote and maintain high standards of conduct by members. National changes to the standards regime are currently being implemented, in response to the Localism Act, which will result in the creation of a Conduct Committee and changes to the Council's constitution.

The Standards Committee and the Monitoring Officer have:-

- Reviewed standards of conduct for Members;
- Ensured compliance with standards.
- Ensured compliance with requirements for declarations of interest.
- Ensured remedial action occurs, for non-compliance with appropriate standards or where other circumstances have deemed that appropriate action is taken.
- Maintained a framework for identifying and implementing new legislative requirements upon the Council.

The Overview and Scrutiny Panel has:-

- Completed reviews of Council activity, in order to ensure effective and efficient service delivery and policy design, such as Leisure strategy, joint domestic abuse review, tourism strategy and community transport.
- Reviewed frequently the progress in delivering performance against the Corporate Plan objectives.
- Scrutinised Fenland Strategic Partnership actions and outcomes.

The Council has considered organisational policies through the Staff Committee including:

- Revision of policies, including family and recruitment, in response to legislative change.
- Health & Safety performance, which noted a 23% decrease in the volume of accidents reported.

Internal control

The Chief Financial Officer has:-

- Ensured provision of timely, accurate and impartial financial advice and information to assist in decision making.
- Maintained and reported to Council the Treasury Management Strategy and legislative changes.
- Ensured arrangements are maintained for keeping under review appropriate management accounting systems, functions and controls.
- Reviewed, in conjunction with line management, the effectiveness of Internal Audit against the CIPFA Code of Practice for Internal Audit.
- Supported the Chief Executive and the CPSB in managing the impact of localisation of business rates and council tax benefit.
- Ensured implementation of IFRS in the 2010/11 accounts.
- Reported the Medium Term Financial Strategy, Revenue Budget and Capital Programme.
- Prepared and reported the Statement of Accounts 2010/11.

Internal Audit has:-

- Performed reviews of key services and financial procedures of the Council and reported to the Corporate Governance Committee, advising as to the level of assurance that can be applied to the Council's control framework.
- Investigated allegations or suggestions of fraud or corruption and suggested revisions to improve systems for prevention and detection of such activity.
- Reviewed the whistle blowing policy for effectiveness against professional standards.
- Provided risk management and business continuity training to staff.

The opinion on internal control from Internal Audit is reported to the Corporate Governance Committee in the Internal Audit outturn report each year. The opinion for 2011/12 is that there is “adequate assurance as to the adequacy and effectiveness of internal controls in mitigating risks to the Council’s objectives”. The report includes assurance that Management have adopted plans for improvement in control where necessary and within appropriate timescales that will be followed-up to ensure further improvement is delivered.

Reviews by external inspectors:

The externally appointed auditors, PwC, issued an unqualified opinion on the 2010/11 Statement of Accounts and Value for Money conclusion.

The audit work included review of first year reporting under IFRS (International Financial Reporting Standards). Financial statements were prepared in a different format, with an increase in the depth of disclosures required in the notes to the accounts. It was commented that the accounts were prepared to a high standard, which was commended given the complex changes required upon transition to IFRS.

The Council continues to demonstrate compliance against the Customer Service Excellence standard, the UK Government's national standard for excellence in customer service. The Council was awarded with the standard, demonstrating cultures and behaviours that engage with customers and partners, and deliver effective use of resources.

The Council was inspected by the Office of Surveillance Commissioners regarding management of activities under Regulation of Investigatory Powers Act (RIPA). It was noted that, although not a significant user, the Council was keen to discharge their legal responsibilities appropriately.

The Local Government Ombudsman has reported, via their annual letter, that they have no concerns about response time or issues arising from complaints.

The capital grant funding for the South Fens project was independently audited by Rawlinsons Chartered Accountants, who commented that submitted claims for payment were made in accordance with East of England Development Agency (EEDA) offer letter.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of Internal Control by the Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Governance issues and action plan

The following issues have emerged as a result of the review of arrangements and from the work of internal audit and shall be addressed and monitored as part of the Council's arrangements for continuous improvement.

	Issue raised	Summary of action
1	The Council faces continuing financial challenges both in 2012/13 and over the medium term. The Local Government Resource Review has been launched which will change the financial dependency of the Council on Central Government. This includes, for example, localisation of Council Tax benefits and the Business Rates retention scheme from April 2013, and implementation of Tax Increment Financing. This will fundamentally change the way local authorities are funded and due to the current uncertainties surrounding these schemes, it is important that we consider ways to 'future proof' the Council. The Council must be prepared to respond to these changes and minimise the impact on Fenland.	The Corporate Management Team has put in place heightened monitoring and response arrangements to provide the Cabinet with information regarding the impact of Central Government funding changes. The Corporate Management Team will monitor the available funding, balances and reserves, using robust financial controls to respond to any financial changes and identify joint opportunities for efficiency. The Chief Executive in his role on the Cambridgeshire Public Service Board, with support from the Chief Finance Officer, is leading a resources project to proactively understand the impact of the Local Government Resource Review to report to the Cambridgeshire Leaders and Chairman's Group. Contributions will be made to a proposed Local Government Resource Review reserve which will provide funding to deal with any in-year financial fluctuations to the Council linked to the localisation of council tax benefit and business rates. Cabinet have agreed in principle to support and explore the benefits and advantages of pooling business rates.

	Issue raised	Summary of action
2	Central Government is consulting upon proposals to revise the audit framework for local public bodies with a turnover of over £6.5M. The outcome may result in changes to audit committee structure, and the mechanism for appointing external audit provision. The design principles of the new framework for local public audit are that it should be localist and transparent, reduce the overall cost of audit whilst upholding the high standards of auditing. The National Audit Office is expected to produce the code of practice for auditing local public bodies. The Financial Reporting Council is expected to be the overall regulator, mirroring its role under the Companies Act 2006. A local authority is expected to appoint its auditor through full Council.	Government now plans to hold further discussions with local authorities, and audit firms, to establish the underlying detail for the framework, and how it can be implemented. Government has published a draft Bill for consultation and pre-legislative scrutiny, allowing examination and amendments, before formal introduction to Parliament. The Corporate Management Team will ensure members are updated with information regarding the impact of Central Government Policy changes.
3	The Council must be prepared to address any impacts that may arise as a result of changes in regulation, legislative powers and national policy such as the Localism Act.	The Corporate Management Team will continue, using heightened monitoring and response arrangements, to provide the Cabinet with information regarding the impact of Central Government Policy changes.

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

Signed: ……………………………………………………….

Rob Bridge
Corporate Director and Chief Finance Officer

Signed: ……………………………………………………….

Paul Medd
Chief Executive

Signed: ……………………………………………………….

Councillor Alan Melton
Leader, Fenland District Council

GLOSSARY OF TERMS

ACCOUNTING PERIOD
The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

ACCOUNTING POLICIES
Define the process whereby transactions and other events are reflected in financial statements.

ACCRUALS
Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the Balance Sheet date.

AREA BASED GRANT
Non-ring fenced general grant, made up of a wide range of former specific grants. Authorities are free to use the grant to support national, regional and local priorities as they see fit.

AUDIT COMMISSION
Auditors employed to independently audit the accounts of local authorities.

BAD DEBT
Debts whose repayment is known to be impossible or unlikely.

BUDGET
A statement defining the Council's policies over a specified period of time in terms of finance.

BILLING AUTHORITY
A local authority responsible for collecting the Council Tax and non-domestic rates i.e. District Councils, Metropolitan Districts, London Boroughs, the City of London and Unitary Councils.

CAPITAL CHARGES
Charges made to service revenue accounts based on the value of the assets they use and comprises depreciation over the useful life of the asset.

CAPITAL EXPENDITURE
Spending on the acquisition of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the Local Government and Housing Act 1989 defines expenditure for capital purposes.

CAPITAL FINANCING COSTS
The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

CAPITAL RECEIPTS
The proceeds from the disposal of land or other assets.

COLLECTION FUND
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.

COMMUNITY ASSETS
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

CREDITORS
Amounts owed by the Council at 31 March for goods received or services rendered but not yet paid for.

CURRENT ASSETS
Assets which can be expected to be consumed or realised during the next accounting period.

CURRENT LIABILITIES
Amounts which will become due or could be called upon during the next accounting period.

DEBTORS
Amounts owed by the Council which are collectable or outstanding at 31 March.

DEPRECIATION
A notional charge representing the extent to which an asset has been worn out or used up during the year.

DERECOGNITION
The term used for the removal of an asset or liability from the Balance Sheet.

EFFECTIVE RATE OF INTEREST
The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the Balance Sheet at initial measurement.

FAIR VALUE
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.

FINANCIAL ASSET
A right to future economic benefits controlled by the Council. Examples include bank deposits, investments, trade debtors and loans receivable.

FINANCIAL LIABILITY
An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

FINANCIAL INSTRUMENT
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

GENERAL FUND
The main revenue fund of the Council. Day to day spending on services is met from the fund.

GOVERNMENT GRANTS
Payments by central Government towards Council expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

IMPAIRMENT
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.

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)
A reference to the accounting treatments that companies globally would generally be expected to apply in the preparation of their financial statements.

MINIMUM REVENUE PROVISION
The minimum amount which must be charged to the Council's revenue account each year and set aside for debt repayment as required by the Local Government and Housing Act 1989.

OPERATING LEASES
A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

PRECEPT
The levy made on a billing authority by a Precepting Authority, requiring collection of income from Council Taxpayers on their behalf.

PRECEPTING AUTHORITIES
Those authorities which are not Billing Authorities i.e. do not collect Council Tax and non-domestic rate. County Council are "major precepting authorities" and parish, community and Town Councils are "local precepting authorities".

PROPERTY, PLANT AND EQUIPMENT
Tangible assets that yield benefits to the Council and the services it provides for more than one year (e.g. land, buildings, vehicles, plant and equipment).

PROVISIONS AND RESERVES
Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred but the amounts or the dates on which they arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or "balances") which every authority must maintain as a matter of prudence.

PUBLIC WORKS LOAN BOARD
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.

REVENUE EXPENDITURE
Spending on day to day items including employees’ pay, premises costs and supplies and services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE
Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year’s Council Tax.

REVENUE SUPPORT GRANT
A grant paid by central Government in aid of Council’s services.

NON DISTRIBUTED COSTS
These are overheads for which no user benefits and should not be apportioned to services.

ABBREVIATIONS USED IN THE ACCOUNTS

CIPFA	Chartered Institute of Public Finance and Accountancy
FRS	Financial Reporting Standard
IFRS	International Financial Reporting Standard
MRP	Minimum Revenue Provision
NNDR	National Non-domestic Rates
IAS	International Accounting Standards

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