

# St Neots Town Council

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## **Annual Report And Financial Statements**

For the Year Ended  
31 March 2008

Presented to the Town Council on the 18<sup>th</sup> June 2009

Chairman of the Council  
And Town Mayor

Councillor Gordon S. E. Thorpe

Chairman of Audit  
Committee

Councillor Justin Cooper-Marsh

Acting Town Clerk

Mrs Helen King

Responsible Finance Officer

Mrs Beverley Porter

Auditors

Grant Thornton UK LLP

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## **EXPLANATORY FOREWORD**

This Statement of Accounts bring together the major financial statements of the Council and consists of:-

Page	3	Budget Comparison for the year ended 2008
Page	4	Statement of Responsibility for the Financial Statement, which sets out the Councils responsibilities
Page	5 - 8	Annual Governance Statement
Page	9	The Income and Expenditure Account, summarising revenue expenditure and income for the year on all services, compiled in accordance with generally accepted accounting practice.
Page	9	The Statement of Movement on the General Fund Balance, which reconciles the deficit on the Income and Expenditure Account with the amount to be met from the General Fund.
Page	10	The Statement of Total Recognised Gains and Losses. This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of the fixed assets.
Page	11	The Balance Sheet, which sets out the financial position of the Council at the 31st March with the balances and reserves available for future use and its assets employed in its operations.
Page	12	The Cash Flow Statement, which summarises the cash inflows and outflows arising from transactions with third parties.
Page	13 - 24	Notes to the Statement of Accounts

These accounts referred to above are supported by the Statement of Accounting Policies.

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, including the year's budget, as summarised below.

A new version of the Statement of Recommended Practice (SORP) was introduced with effect from 1 April 2007. This Council has complied substantially with the 2007 SORP as a large council.

### **Further Information**

Further information about the accounts is available from the Council Offices, The Priory St Neots Cambs. PE19 2BH. This is part of the Council's policy of providing full information about its affairs. Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

## Budget Comparison for the year ended 2008

The following shows a comparison of the budget and out-turn figures for 2007/08

	Budget £	Actual £
<b>Cultural, Environmental &amp; Planning Services</b>		
Cemetery & Churchyards	*	42,625
Play Area's & Open Spaces inc Depot	*	72,769
Town Centre Management	*	5,000
Community Services	*	30,200
Grants	*	37,420
Priory Centre	*	58,057
<b>Highways, Roads &amp; Transport Services</b>		
	*	8,050
<b>Corporate &amp; Democratic Core</b>		
	*	304,924
<b>Net Costs of Services</b>		
	559,045	496,075
External Interest Payable (Priory Centre)	34,600	15,167
Interest Received	(40,604)	(54,227)
Loans fund principle repayment	9,204	9,204
Financing Capital Expenditure	-	(575)
Capital transfer to Earmarked Reserves	211,395	221,395
	773,640	687,039
<b>Contribution from Earmarked Reserves</b>		
	(47,000)	(47,000)
<b>Increase /( Decrease) in the General Fund Balance for the year</b>		
	<b>(30,846)</b>	<b>55,755</b>
Precept on District Council	695,794	695,794

The net under spend on services is reflected in an increased contribution to reserves of £55,755 instead of the budgeted reduction in General Reserves of £30,846.

This is mostly due to the:

**Play Areas** maintenance and repairs were below the amount budgeted.

**Grants** are shown in negative due to there being accruals brought forward for grants and loans not yet taken up these amounted to £36,500. These have not been carried forward in this year therefore reducing the value of grants.

However a grant of £10,000 to the Eaton Socon United Reform Church has been transferred to the Earmarked Reserve

**Priory Centre** has come in under budget by reducing expenses and increased Hall and Event Income

**Corporate & Democratic Core** is lower than budgeted mostly due to the Head of Leisure post not being filled.

**External Interest** lower than budgeted due to over stating in the budget

**Interest Received** has come in higher than expected, this is due to the increased interest rates.

- \* The difference between these figures and the Income and Expenditure Account is the removal of depreciation charge.

### Main Influences on Income & Expenditure

The main source of income for the Priory Centre is from the hiring of the hall and events. Income from this amounted to £294,080, Other Income includes rental income from the Council's properties £24,775, income from the cemetery of £26,838 and interest received from the Council's investments of £54,147. The main source of expenditure for the Priory Centre is staffing costs of £165,368 and premises costs of £57,099. Central administration of the Council amounted to £271,950, upkeep of the cemeteries and play areas amounted to £108,143.

### **Capital Commitments**

During 2007/08 a number of projects had been budgeted for that could not be commenced or were only partially completed, the remaining balances have been transferred to the Earmarked Reserve. The main project was

	<u>Spent 2007/08</u>	<u>Earmarked</u>
The Eaton's Community Centre. Surveying & Fees	£ 51,826	£ 590,122 Build started Feb 2009

### **Prior Year Adjustments**

A prior year adjustment has been made to the accounts in respect of capital expenditure being financed. In preparing the accounts, the RFO identified that adjustments were required to the Capital Adjustment Account and the General Fund balance due to incorrect entries being processed in previous accounting periods: An adjustment of £30,694 was made as a result of capital expenditure being financed from revenue in 2002. This had previously been accounted for through the Capital Financing Account. An adjustment of £3,061 was made relating to the disposal of fixed assets in 2005. This has previously been accounted for through the General Fund balance.

**Long Term Borrowing** A loan of £295,883 to be repaid over a 40 year period was received from Huntingdonshire District Council in 1980. The balance on the loan at 31st March 2008 is £125,193

**STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS**

**The Council's Responsibilities**

The Council is required:

- 1 To make arrangements for the proper administration of its financial affairs
- 2 To secure that one of its officers has the responsibility for the administration of those affairs. At this Council, that officer is the Town Clerk.
- 3 To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 4 To approve the Statement of Accounts

**The Responsible Finance Officers' Responsibilities**

The Responsible Finance Officer (RFO) is responsible for the preparation of the Council's statement of accounts in accordance with the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy, to present fairly the income and expenditure for the year ended 31st March 2008.

In preparing the statement of accounts, the RFO has:

- 1 Selected suitable accounting policies and then applied them consistently.
- 2 Made judgements and estimates that were reasonable and prudent.
- 3 Complied with the code.

The RFO has also:

- 1 Kept proper accounting records which were up to date.
- 2 Taken reasonable steps for the prevention and detection of fraud and other irregularities.

**Responsible Finance Officers Certificate**

I certify that the statement of accounts presents fairly the financial position of St Neots Town Council at 31st March 2008, and its income and expenditure for the year ended 31st March 2008.

Signed..... *Bob Porter* ..... Responsible Finance Officer

Approved..... *GSE Thourpe* ..... Town Mayor

Date..... *18th June* .....2009

## **ANNUAL GOVERNANCE STATEMENT**

### **1. Scope of Responsibility**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council considers that it has a duty 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 the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE (Chartered Institute of Public Finance/Society of Local Authority Chief Executives) Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.stneots-tc.gov.uk](http://www.stneots-tc.gov.uk) or can be obtained from The Council Offices, The Priory, St Neots. The town council update the constitution when new changes have been adopted.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.

### **2. Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which an authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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. It 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 St Neots Town 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. A governance framework has been in place at St Neots Town Council for the year ended 31st March 2008 and up to the date of approval 18<sup>th</sup> June 2009 of the Statement of Accounts.

### **3. The Council's Governance Framework**

The Town Council has a Constitution, which comprises (inter alia) of:

- Standing Orders / scheme of Delegation.
- Financial Regulations.
- Staff / Member Code of Conduct.
- Code of Corporate Governance.
- Counter Fraud and Corruption Strategy.
- Risk Management Strategy.
- Whistle blowing Policy.
- Equality & Diversity Policy.
- Anti Bullying Policy.
- Health & Safety Policy Procedure.
- Complaints Policy & Procedure.
- FOI Publication Scheme & Records Management Policy.
- Stress Management Policy.

This Constitution is regularly reviewed and updated on an annual basis.

The Council has identified and communicated the Council's vision of its purpose and intended outcomes for citizens and service users through the Forward Plan.

The Council has an Audit Committee that oversees all performance information. Each Committee also receives regular reports on performance for its relevant services. The Council's Policies have also regularly been reviewed.

The Council's Standing Orders incorporate a clear scheme of delegation to Committees. Decision making and financial delegations are also clearly stated within these. (The Town Council retains a Committee system rather than Executive/Scrutiny regime as in principal authorities).

The Model Code of Conduct for Members has been adopted by Council and Members have received training.

Standing Orders and Financial Regulations are regularly reviewed. The latest review took place during 2008/2009.

The Town Council's Audit Committee has been created to take on the core functions of an Audit Committee as identified in CIFPA's "*Audit Committees – Practical Guidance for Local Authorities*".

The Town Clerk and Responsible Financial Officer continue to review ongoing training and opportunities to network with appropriate colleagues to ensure that they are in a position to implement all services in accordance with current statute.

Furthermore, the Responsible Financial Officer and Town Clerk positions are separate to give a further counter-check on internal arrangements.

The Council has a Whistle Blowing Policy and has reviewed its Complaints Procedure during 2007/08.

The Town Council works closely with Members and will seek, upon request or where a need has otherwise been determined, to provide appropriate development support/training. Senior officers meet regularly and training needs are picked up as and when identified and in Annual Training Plan.

The Council has a robust Health & Safety Policy which has been thoroughly reviewed this year.

The Council seeks to establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation by:

- (a) Publishing a newsletter (*Priorities*) four times a year.
- (b) The Council seeks views from the community by questionnaire and its website.
- (c) As a third tier local Council, with active Members, the Council is fortunate to have good access to local people and opinion formers. The Town Council will follow its Code of Corporate Governance when dealing with partners and other community groups. This is particularly important given the Government's commitment to rolling-out locality-based services.

#### **4. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of the effectiveness of the system of internal control is informed by the work of the Town Clerk and Responsible Financial Officer who have responsibility for the development and maintenance of the governance environment, the annual Internal Audit report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process agreed by the Council which is applied in maintaining and reviewing the effectiveness of the governance framework includes:-

Reporting to each meeting of the Policy and Resources Committee and Service Committees on their budgetary position.

Reporting on any issues relating to non-compliance with the Council's Procurement Policy, Corporate Governance Policy and Standing Orders and Financial Regulations and to ensure use of resources in an economical, effective and efficient way.

Approval through the relevant Service Committees of budget plans, their subsequent collation for consideration by the Policy & Resources Committee and Full Council to set the budget and precept for the following year.

Responsibility, through the Policy and Resources Committee, for receiving regular reports on work in progress and work to be programmed for the future on internal audit and external audit.

Reporting to the Audit Committee any recommendations made by the Internal Auditor suggesting improvements to the effectiveness of the systems of internal control. This results in a plan of action being agreed with the relevant officer within a reasonable period to address weaknesses and to ensure the agreed action is undertaken.

A new policy relating to the employment of existing staff / members has been adopted during 2008/2009. This is to ensure management controls are in place in relation to employing family members..

#### **5. Significant Governance Issues**

We propose over the coming year to take steps to address and further enhance our governance arrangements. We are satisfied that the 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.

A Public Interest Report is to be issued. The Council will have to address all the issues raised within the report

The Council is introducing a system whereby the Corporate Governance Policy is reviewed annually.

A comprehensive review of all Policies, Aims, Objectives and Performance Indicators is underway to ensure that they meet good governance requirements.

A protocol for Member/Officer relationships has been adopted and will be reviewed.

A review of financial reporting arrangements.

Issues relating to the handling of cash will be monitored and randomly audited throughout the year.

Procedures for writing of bad debts will be tightened.

Review and update the Forward Plan.

Develop a process of budget management with training for managers and members.

## 6. Actions Taken/Proposed to deal with Significant Internal Control Issues

This part of the Statement outlines actions taken, or proposed, to deal with significant control issues identified.

The Council will aim to develop and adopt an appropriate risk management strategy which will ensure the identification and effective management of all risks and in particular its significant business risks by 30 June 2009.

Arising from the Action Plan for Accounts & Use of Recourses prepared by the Council's external auditors for the year ended 2006/07, the following aspects of the Council's internal control systems will continue to receive the Council's consideration for review and improvement during 2008/09.

**Risk Management Strategy:** As part of the development of a Risk Management Strategy, the Council will develop, maintain and review a register of corporate business risks, linking these to strategic objectives and assigning ownership for risk (Action by 30 June 2009). Furthermore, Member responsibility for the management of corporate risk will also be defined in these policy documents

**Terms of reference for Committees & Financial Regulations:** The terms of reference for the Audit, Policy & Resources Committee will be reviewed and revised to ensure that its responsibilities as an Audit Committee are defined, (Action by 31 August 2009).

We are satisfied that these steps will address the need for improvements that were identified in our annual review and will review their implementation and operation as part of our next annual review. (action 31 August 2009).

## 7. Approval of Statement

We have been advised on the implications of the result of the review of the effectiveness of the Governance framework by the Town Clerk, Responsible Financial Officer and senior management and a plan to address weaknesses and ensure continuous improvement of the system is in place.

This statement was approved at a meeting of the Full Council held on 18<sup>th</sup> June 2009 when authority was granted for the Mayor and Responsible Finance Officer to sign.

Town Mayor



Responsible Finance Officer



Dated

18th June 2009

**ST NEOTS TOWN COUNCIL**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31ST MARCH 2008**

Restated			<b>2008</b>		
<b>2007</b>			<b>Gross</b>		<b>Net</b>
<u>Net</u>			<u>Expenditure</u>	<u>Income</u>	<u>Expenditure</u>
<u>Expenditure</u>	<u>Note</u>	<u>Services</u>	£	£	£
		<b>Cultural, Environmental &amp; Planning Services</b>			
64,964		Cemetery & Churchyards	83,218	(26,838)	56,380
59,333		Play Area's & Open Spaces	66,188	(580)	65,608
3,965		Town Centre Management	19,657	-	19,657
40,196		Community Services	84,287	(20,107)	64,180
63,095		Grants	4,681	(5,255)	(574)
189,238		Priory Centre	409,773	(294,403)	115,370
32,341		<b>Highways, Roads &amp; Transport Services</b>	17,316	(1)	17,315
<u>203,371</u>		<b>Corporate &amp; Democratic Core</b>	<u>315,575</u>	<u>(36,374)</u>	<u>279,201</u>
<b>656,503</b>		<b>Net Costs of Services</b>	<b><u>1,000,695</u></b>	<b><u>(383,558)</u></b>	<b>617,137</b>
-		Profit or Loss on Disposal of fixed assets			-
13,661		External Interest Payable			15,167
<u>(40,626)</u>	4	Interest & Investment Income			<u>(54,227)</u>
<b>629,538</b>		<b>Net Operating Expenditure</b>			<b>578,077</b>
<u>(669,192)</u>		Precept on District Council			<u>(695,794)</u>
<b><u>(39,654)</u></b>		<b>Net Deficit / (Surplus) on the Year</b>			<b><u>(117,717)</u></b>

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

<b>(39,654)</b>		<b>Surplus for the year on the Income &amp; Expenditure Account</b>	<b>(117,717)</b>
<u><b>238,452</b></u>		<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<u><b>61,962</b></u>
<b>198,798</b>		<b>(Increase) / Decrease in the General Fund Balance for the year</b>	<b>(55,755)</b>
-		<b>Prior Years (2002&amp; 2005) adjustment to the General Reserve</b>	<b>27,633</b>
<u><b>(339,166)</b></u>		<b>Council Fund at 1st April</b>	<u><b>(140,368)</b></u>
<b><u>(140,368)</u></b>	24	<b>Council Fund at 31st March</b>	<b><u>(168,490)</u></b>

Restated <u>2007</u>	<b><u>RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE</u></b>	<u>2008</u>
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year</b>	
(56,872)	Depreciation and impairment of fixed assets	(121,062)
-	Write downs of deferred charges to be financed from capital resources	-
<b>(56,872)</b>		<b>(121,062)</b>
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the Year</b>	
8,893	Loans fund principle repayment	9,204
55,231	Capital expenditure charged in-year to the General Fund Balance	(575)
<b>7,252</b>		<b>(112,433)</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the Year</b>	
231,200	Net Transfer to the Earmarked Reserve	174,395
<b>238,452</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>61,962</b>

#### **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of the fixed assets

Restated <u>2007</u>		<u>2008</u>
£		£
39,654	Surplus for the year on the Income & Expenditure Account	117,717
-	Surplus arising on revaluation of fixed assets	244,107
<b>39,654</b>	<b>Total recognised gains for the year</b>	<b>361,824</b>



**ST NEOTS TOWN COUNCIL**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH 2008**

<u>2007</u>		<u>2008</u>	
<u>£</u>		<u>£</u>	<u>£</u>
<b><u>REVENUE ACTIVITIES</u></b>			
<b>Cash Outflows</b>			
(377,634)	Cash paid to and on behalf of employees	(439,782)	
(637,409)	Other operating payments	(664,415)	
<b>(1,015,043)</b>			<b>(1,104,197)</b>
<b>Cash Inflows</b>			
669,192	Precept receipts	695,794	
354,514	Cash recovered for services	383,259	
30,000	Best Value Grant	30,000	
-	Other revenue receipts	-	
<b>1,053,706</b>			<b>1,109,053</b>
<b>38,663</b>			<b>4,856</b>
<b><u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u></b>			
<b>Cash Outflows</b>			
(13,661)	Interest paid	(15,167)	
<b>Cash Inflows</b>			
-	Transfer from Earmarked Reserves	-	
40,626	Interest received	54,227	
<b>26,965</b>			<b>39,060</b>
<b><u>CAPITAL /Related Party Transactions</u></b>			
<b>Cash Outflows</b>			
(55,231)	Purchase of fixed assets	(119,048)	
-	Other Capital Cash payments	-	
<b>(55,231)</b>		<b>(119,048)</b>	
<b>Cash Inflows</b>			
-	Disposal of fixed assets	1,702	
3,000	Other capital cash receipts	3,000	
<b>3,000</b>		<b>4,702</b>	
<b>(52,231)</b>			<b>(114,346)</b>
<b>13,397</b>	<b>Net cash inflow/ (outflow) before financing</b>		<b>(70,430)</b>
<b><u>FINANCING - Management of Liquid Resources</u></b>			
<b>Net increase/decrease in cash</b>			
1,079,489	Cash and bank balance 1 April 2007		1,092,886
1,092,886	Cash and bank balance 31 March 2008		1,022,456
<b>13,397</b>	Increase/ (Decrease) in bank account and cash balances		<b>(70,430)</b>

## **NOTES TO THE ACCOUNTS**

### **1. STATEMENT OF ACCOUNTING POLICIES**

#### **General**

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

#### **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:

##### **1. Customer and Client Receipts**

Customer and Client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate.

##### **2. Employee Costs**

The full cost of employees is charged to the accounts for the period within which the employee worked.

##### **3. Interest**

All interest receipts are credited to the Income and Expenditure Account

##### **4. Supplies and Services**

The cost of supplies and services are accrued and accounted for in the period during which they were consumed or received. Accruals are made for all material sums unpaid at the year end for goods or services received or works completed. For 2007/08 all sums over £500 have been accrued. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for tangible fixed assets.

#### **Earmarked Reserves**

The Council maintains certain reserves to meet general and specific future expenditure. The purpose of the Council's reserves is explained in notes 23 to 25 in the Balance Sheet.

The introduction of the new system of capital accounting has required the establishment of two reserve accounts in the Balance Sheet:

1. The revaluation reserve, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

2. The capital adjustment account, which represents revenue or capital resources applied to finance expenditure of a capital nature or for the repayment of external loans and the reversal of depreciation to ensure it does not impact on the amount to be met from precept.

## **Local Government Pension Scheme**

Pension Costs are disclosed on a defined contribution basis and are fully explained in the relevant Note to the Accounts. The Council's employees are members of the Cambridgeshire County Council Pension Fund, a multi-employer scheme which is part of the Local Government Pension Scheme. As separate Contribution rates are not specified, it is not possible to identify specific assets to the Council in respect of the liability to pay future pensions. Pensions are therefore accounted for on a defined contribution basis and the employer's contribution to the scheme certified by the schemes actuary is charged to the Council's Income and Expenditure Account.

## **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 SORP 2007 Code of Practice. 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:

- 1) Corporate and Democratic Core – costs relating to the council's status as a multi-functional democratic organisation.

This cost is accounted for, as a separate heading in the Income and Expenditure Account, as part of Net Cost of Services.

### *Support Services*

Allocated using the most appropriate charging basis. The Council's own Time Recording System has been used for guidance

## **Fixed Assets**

The Town Council's capitalisation policy is as follows:

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. Fixed assets are valued on the basis recommended by CIPFA and in accordance with the statements of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS). The closing balances are stated on the following basis:

1. Land, properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value
2. Infrastructure assets are included in the Balance Sheet at historical cost, net of depreciation.

Gains on the revaluation of fixed assets prior to the 1st April 2007 have been credited to the Capital Adjustment Account, all gains subsequent to this date have been credited to the Revaluation Reserve. Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, should they occur.

The Council's policy is to carry out a maintenance programme so that, as far as possible, its fixed assets' useful lives remain the same.

In 2007/08, depreciation was charged on buildings, vehicles, plant, fixtures and fittings, play equipment and infrastructure.

3. Depreciation is provided for on all fixed assets which have a finite useful life, (which can be determined at the time of acquisition or revaluation) according to the following policy:

## **Fixed Assets Continued**

- Depreciation is charged by allocating the cost (or revalued amount) less estimated residual value of the asset as fairly as possible to the periods expected to benefit from their use.
- Infrastructure assets, play equipment, vehicles, plant and equipment are depreciated over their expected useful economic lives on a straight line basis which range from 4 to 10 years
- Newly acquired assets are depreciated from the beginning of the year, although assets in the course of construction are not depreciated until they are brought into use.
- Depreciation is not provided on freehold land
- Land and buildings, depreciation is calculated on the straight-line method over the expected life of the asset which range from 20 to 40 years
- Depreciation is based on the amount at which the asset is included in the Balance Sheet.

**Disposals:** When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

### **Charges to Revenue for Fixed Assets**

Service revenue accounts, support services and trading accounts are debited with the depreciation attributable to the assets used by the relevant service, to record the real cost of holding fixed assets during the year.

Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### **Leases**

The Council has no commitments under finance leases. Rentals payable under operating leases are charged to revenue on an accruals basis.

### **Stocks and Work in Progress**

Stocks are valued at cost or net realisable value, whichever is the lower.

### **Capital Receipts**

Capital receipts arising from the disposal of fixed assets are taken to the Capital Receipts Reserve until such time as they are used to finance new capital expenditure.

### **Grants**

Revenue grants are accrued and credited to income in the same period in which the related expenditure was charged.

## **Financial Assets**

Financial assets are classified into two types:

Loans and receivables – assets with a fixed or determinable payments but not quoted in an active market (i.e. trade debtors, fixed term investments)

Available for sale assets – assets with a quoted market price and no fixed determinable payments (i.e. equity investments)

Loans and receivables are initially measured at fair value and carried at their amortised costs. The Council has the following loans and receivables:

### *Debtors*

Debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified. Debtors falling due after more than one year are classified as long-term assets.

### *Cash and Equivalents*

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

The Council has one long -term investment. Investments are carried at their amortised cost, which comprise their principle amount plus accrued interest at the Balance Sheet date. The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the Balance Sheet date.

The Council currently has no available for sale assets

## **Financial Liabilities**

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Council has the following liabilities measured at amortised cost:

### *Creditors*

Creditors are carried at their original invoice amount.

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

### *Short and Long-Term Loans*

Short term borrowings are carried at their amortised cost, which comprise their principle amount plus accrued interest as the Balance Sheet date.

The fair value of short term borrowings is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same loan to a comparable institution, available at the Balance Sheet date.

## 2 Trading Operations - Priory Centre

The Council leases and manages the Priory Centre generating rental income from lettings and other income from bars and catering. As part of the Council's policy to support community and cultural events in the town, the Centre is subsidised by both St Neots Town Council and Huntingdonshire District Council. The trading objective is to restrict the deficit within the budget set.

	Restated 2007	2008
	<u>£</u>	<u>£</u>
Turnover	(264,076)	(270,903)
District Council Funding	<u>(23,500)</u>	<u>(23,500)</u>
Income	(287,576)	(294,403)
Expenditure	360,918	355,613
Remove Interest paid	<u>(8,336)</u>	<u>(8,889)</u>
<b>Trading Deficit</b>	<b>65,006</b>	<b>52,321</b>
Loan Repayments	8,893	9,204
Interest paid	<u>8,336</u>	<u>8,889</u>
Net Deficit	<u><u>82,235</u></u>	<u><u>70,414</u></u>

The values above are shown net of depreciation charges

## 3 Section 137 Expenditure

Section 137 of the Local Government Act 1972(as amended) enables the Council to spend up to the product of £5.44 per head on the electoral roll in any one year for the benefit of the people in its area on activities or projects not specifically authorised by other powers. The total amount available for this purpose in 2008 was £162,112. based on 29,800 electorate

Expenditure was incurred for the following purposes:

	2007	2008
	<u>£</u>	<u>£</u>
Grants – Local Voluntary Bodies	23,780	17,287
Promotion of the Town	46,149	42,587
Town Centre Management	-	3,598
	<u>69,929</u>	<u>63,472</u>

It should be noted that grants to bodies such as Sports and Entertainment orientated organisations are made under other specific legal powers and so are not included in the above figures.

## 4 Interest and Investment Income

The interest figure arises principally from the investment of earmarked receipts and revenue balances including reserves and provisions. Any interest on Capital Receipt is transferred to General Reserves.

	2007	2008
	<u>£</u>	<u>£</u>
Barclays Bank	<u>40,626</u>	<u>54,227</u>

## 5 Publicity

Section 5 of the Local Government Act 1986 requires the Council to disclose expenditure on publicity. Details are shown under broad categories:

	2007	2008
	<u>£</u>	<u>£</u>
Recruitment Advertising	4,617	3,561
Promotion of the Priory Centre	7,945	5,784
Newsletter	3,116	3,240
Other promotional advertising	<u>2,424</u>	<u>1,763</u>
	<u><u>18,102</u></u>	<u><u>14,348</u></u>

## 6 Pension Costs

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

In 2007/08 the Council paid an employer's contribution of £26,539 representing 15.90% of employees pensionable pay into Cambridgeshire County Council's pension fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations. The rate for 2007/08 was determined on the basis of contribution rates set in the 2004 valuation. The latest (2007) valuation of the Pension Fund concluded that to meet future funding required higher rates 16.3% from 1st April 2008, 18.4% from 1st April 2009 and 20.4% from 1st April 2010, to meet estimated liabilities in accordance with Government regulations. Due to reduced returns, the new contribution rates are no longer adequate to cover 100% of the liabilities.

The valuations, for the purposes of FRS17, are based on the latest formal valuation as at 31st March 2007 and rolled by Hymans Robertson, the independent actuaries to the County Council Fund. Liabilities are valued using the projected unit which assesses the future liabilities of the fund discounted to their present value as at 31st March 2008.

## 7 Staffing

During 2007/08 the Council employed an average 37 of permanent staff (25 full and 12 part-time). All administrative, professional, technical & clerical (APT&C) are paid on nationally agreed pay scales. The number of employees whose salary was £50,000 or more in bands of £10,000 were:

Band	2007 Qty	2008 Qty
£60,000 - £69,999	-	1

## 8 Leases

Land and Buildings – the Town Council leases the Priory Centre from Huntingdonshire District Council. This lease has been accounted for as an operating lease. The lease is due to expire in 2027. Annual payments in respect of this lease are £23,500. A number of other land and building sites, including six play areas, are leased on a peppercorn basis from Huntingdonshire District Council.

Council as Lessor – the Council has granted leases to five local organisations. These are accounted for as operating leases.

### Financial Commitments under Operating Leases

Other Land & Buildings	2007 £	2008 £
Obligations expiring within one year	-	-
Obligations expiring within two and five year	-	-
Obligations expiring after five years	23,500	23,500
	23,500	23,500

Council as a lessor - with regards to the Council's activity as a lessor, the Council received rentals to the value of £16,201 in 2007/8. The gross value of assets held for use in operating leases was £373,480. The Museum and Jubilee Hall have a gross value of £373,480, with an accumulated depreciation charge of £7,905. The remaining four operating leases are all accounted for as Community Assets within the Council's balance sheet and as such have no recorded value and are not subject to any depreciation charge.

On Lease from the St Neots Town Council Lessee	Location	Purpose	Annual Rent Payable £	Year of Expiry
St Neots table Tennis Club	Land at Riversmead	Club Building	5	Expired Holding Over
St Neots Museum Ltd	Museum, New Street	Museum	6,000	2020
Eynesbury Rovers FC	Banks Field	Pitches	300	Annual
Eaton Socon Ex Service Club	School Lane, Eaton Socon	Club Building	7,800	2013
Jubilee Hall Trust	Jubilee Hall	Community Centre	1,196	TBA
Reserve Forces & Cadets	Land at Riversmead	ATC Building	900	2030

## 9 Members' Allowances

Pursuant to the Local Authorities (Members Allowance) regulations 2003. The Council decided not to pay a Parish Basic Allowance to Members. Instead a budget of £1,000 was established to enable Councillors, who do not receive an allowance as a serving Councillor on a principle authority, to claim out of pocket expenses, (Not exceeding £100 per annum) from the Parish Basic Allowance budget, in respect of costs incurred in the discharge of their duties.

	<u>2007</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Members Allowances	<u>845</u>	<u>1,031</u>

## 10 Related Party Transactions

During the year transactions with related parties arose as follows:-

		<u>2007</u>	<u>2008</u>
		<u>£</u>	<u>£</u>
<b>Receipts</b>			
Huntingdonshire District Council	Precept	669,192	695,794
Huntingdonshire District Council	Public Toilets	17,725	-
Huntingdonshire District Council	Priory Centre	23,500	23,500
St Neots Museum	Rent	6,000	6,000
Cambridge County Council	Rent	<u>4,075</u>	<u>4,195</u>
		<u>720,492</u>	<u>729,489</u>
<b>Payments</b>			
Cambridgeshire County Council	Pension	21,720	26,539
Huntingdonshire District Council	Priory Centre	17,323	17,827
St Neots Museum	Rent	26,164	29,773
Cambridge County Council	Grant	<u>10,000</u>	<u>-</u>
		<u>75,207</u>	<u>74,139</u>

## 11 Audit Costs

In 2007/08 St Neots Town Council incurred the following fees relating to external audit and inspection

	<u>2007</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
	<u>9,850</u>	<u>10,000</u>

## 12 Fixed Assets

Movements in fixed assets during the year were:

	Land & Buildings	Community Assets	Vehicles Fix / Fittings & Plant / Equip	Play Equipment & Infrastructure	Assets under Construction	Total
<b>Cost</b>	£	£	£	£	£	£
<b>Value at 1st April</b>	1,395,310	16,785	210,517	483,854		2,106,466
Transferred between Categories	(23,480)	23,480	34,985	(34,985)		-
Prior year adjustments				(575)		(575)
Revaluation	244,107					244,107
Additions			36,280	30,942	51,826	119,048
Disposals			(10,000)			(10,000)
<b>Value as at 31st March</b>	<b>1,615,937</b>	<b>40,265</b>	<b>271,782</b>	<b>479,236</b>	<b>51,826</b>	<b>2,459,046</b>
<b>Depreciation</b>						
<b>Value at 1st April</b>	194,630		169,779	122,164		486,573
Reverse prior years depn on revalued Assets	(194,630)					(194,630)
Transferred between Categories			8,281	(8,281)		-
Disposals			(8,298)	-		(8,298)
Depreciation for the year	47,925		49,596	23,541		121,062
<b>Value as at 31st March</b>	<b>47,925</b>	<b>-</b>	<b>219,358</b>	<b>137,424</b>	<b>-</b>	<b>404,707</b>
<b>Net Book Value at 31/03/2008</b>	<b>1,568,012</b>	<b>40,265</b>	<b>52,424</b>	<b>341,812</b>	<b>51,826</b>	<b>2,054,339</b>
Net Book Value at 31/03/2007	1,200,680	16,785	40,738	361,690	-	1,619,893

## 13 Fixed Asset Valuation

The freehold properties which comprise the authority's property portfolio were valued at the 1st April 2007 by the District Valuation Office. Copies of the valuations are held on file at the Council Offices, The Priory, St Neots. PE19 2BH. The revaluation resulted in a net increase of £244k to the value of the Council's land and building assets

## 14 Capital Commitments

As at the 31st March 2008 the Council had no Capital Commitments.

The Council was however, in the progress of committing to the development of the Eatons Community Centre with costs in the region of £1,200,000

## 15 Financing of Capital Expenditure on Fixed Assets

Capital expenditure during the year was financed as follows:

	2007	2008
	£	£
Capital Reserves	-	-
Earmarked Reserves	-	119,048
General Fund	55,231	-
	<b>55,231</b>	<b>119,048</b>

## 16 Information on Assets Held

Fixed Assets owned by the Council include the following:

### Land & Buildings

Magistrate's Court  
Gatelodge  
The Old Mortuary  
Priory Centre (49%)

### Community Assets

Allotments  
Cemeteries  
Playing Fields & Open Spaces  
Jubilee Hall Land

### Vehicles, Plant and Equipment

Vehicles, Equipment & Tools  
Office Furniture & Equipment  
Fixtures & Fittings  
Networking System

### Play Equipment & Infrastructure

Play Equipment  
Street Lights, Village Signs etc  
Play Equipment  
Village Signs  
Millennium Clock

## 17 Stocks

	2007	2008
	<u>£</u>	<u>£</u>
Priory Centre Bar Stocks	<u>4,075</u>	<u>5,300</u>

## 18 Debtors

	2007	2008
	<u>£</u>	<u>£</u>
Trade Debtors	54,698	31,152
Vat recoverable Debtor	17,269	32,224
	<u>71,967</u>	<u>63,376</u>

## 19 Creditors

	2007	2008
	<u>£</u>	<u>£</u>
Section 106 (Sidney Banks)	193,018	-
Trade Creditors	57,848	97,753
Payroll Taxes and Social Security	5,500	33,177
Sundry Creditors & Accruals	133,601	39,810
Receipts in Advance	10,812	31,922
	<u>400,779</u>	<u>202,662</u>

## 20 Long Term Borrowing

	2007	2008
	<u>£</u>	<u>£</u>
Huntingdonshire District Council	<u>125,195</u>	<u>115,667</u>

A loan of £295,883 to be repaid over a 40 year period was received from Huntingdonshire District Council in 1980 to finance the building of the Priory Centre. The total cost of the building was £636,994.58. A town development grant of £33,151 was received in 1986/87, leaving a balance of £603,843.58 to be financed over 40 years starting in 1980, shared between the Huntingdonshire District Council with 49% being charged to St Neots Town Council, with a final repayment date of 31st March 2019.

2008 is the first time this loan has been shown in the Financial Statements and the 2007 balances have been restated. The value introduced is the balance outstanding at 31st March 2007. Adjustments have been made to the Income & Expenditure Account to remove the repayment and the Balance Sheet has been adjusted to bring in the loan at the 2007 outstanding balance.

## 21 Revaluation Reserve

	2007	2008
	<u>£</u>	<u>£</u>
<b>Balance brought forward</b>	-	-
Surplus on revaluation and restatement of fixed assets	-	244,107
	<u>-</u>	<u>244,107</u>

The Balance Sheet figures for 31 March 2007 have been adjusted to reflect the implementation of the Revaluation Reserve. It has been included in the Balance Sheet with a zero opening balance. The Revaluation Reserve therefore only shows revaluation gains since 1 April 2007.

<b>22 Capital Adjustment Account</b>	Restated <u>2007</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
<b>Balance brought forward</b>	1,592,806	1,457,863
<b>Prior Year Adjustment for the year 2002</b>		
Financing capital expenditure using Revenue (Creditors)		30,694
<b>Prior Year Adjustment for the year 2005</b>		
Disposal of fixed assets		(3,061)
<b>HDC Loan to Long term Borrowing</b>	<u>(143,290)</u>	
	1,449,516	<u>1,485,496</u>
Financing capital expenditure in the year:		
using Capital Reserves	-	-
using Earmarked Reserves	-	119,048
using Revenue Reserves	55,231	(575)
Loans fund principle repayment	8,893	9,204
Disposal of fixed assets	-	(1,702)
Revaluation of assets during the year	1,095	-
Reverse depreciation on revalued assets	-	194,630
Depreciation charge for the year	<u>(56,872)</u>	<u>(121,062)</u>
Capital Financing Account Carried Forward	<u>1,457,863</u>	<u>1,685,039</u>

<b>23 Capital Receipts Reserve</b>	<u>2007</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Balance as at 1st April	2,230	2,230
<b>Plus:</b>		
<b>Amount from Sale of Assets</b>		
Sales of Assets in the year	<u>-</u>	<u>1,702</u>
<b>Less:</b>		
<b>Amount used to finance Capital Expenditure</b>		
Financing capital expenditure in the year:	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Capital Reserve Carried Forward	<u>2,230</u>	<u>3,932</u>

The capital receipts reserve represents capital receipts available to finance capital expenditure in future years.

<b>24 General Fund Balance</b>	<u>2007</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Balance as at 1st April	339,166	140,368
<b>Prior Year Adjustment for the year 2002</b>		
Financing capital expenditure using Revenue (Creditors)		(30,694)
<b>Prior Year Adjustment for the year 2005</b>		
Disposal of fixed assets		3,061
	<u>339,166</u>	<u>112,735</u>
Increase / ( Decrease ) in the General Fund Balance	<u>(198,798)</u>	<u>55,755</u>
Balance as at 31st March	<u>140,368</u>	<u>168,490</u>

<b>25 Earmarked Reserve</b>	<u>2007</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Balance as at 1st April	642,683	686,190
Transferred from Revenue reserve	381,290	174,395
<b>Less:</b>		
<b>Amount used to finance expenditure</b>		
Rolling Projects	(140,482)	(36,280)
Eaton's Community Centre	(4,283)	(51,826)
Section 106	(193,018)	-
Play Areas	<u>-</u>	<u>(30,942)</u>
	<u>(337,783)</u>	<u>(119,048)</u>
Balance as at 31st March	<u>686,190</u>	<u>741,537</u>

**26 Decrease in cash and cash equivalents**

	2007	2008	Movement
	<u>£</u>	<u>£</u>	<u>£</u>
Cash in hand and at bank	1,092,886	1,022,456	(70,430)

**27 Reconciliation with Income & Expenditure Account**

	2008
	<u>£</u>
<b>Surplus / (Deficit) for the year</b>	
Income & Expenditure Account	117,717
Depreciation and impairment of fixed assets	121,062
Transfer from Earmarked	(174,395)
Loan Fund - Principle	(9,204)
Capital expenditure charged in-year to the General Fund Balance	575
Revenue Deficit / Surplus	<u>55,755</u>
 <b>Movement in Working Capital</b>	
Decrease in Debtors	8,591
Decrease in Creditors	(228,431)
Decrease in Payments in advance	4,517
Increase in Receipts in Advance	21,110
Increase in Stocks	(1,225)
Decrease in Loan Fund Principle repayment	9,204
	<u>(186,234)</u>
 <b>Classification Adjustments</b>	
Interest Paid	15,167
Interest Receivable	(54,227)
	<u>(39,060)</u>
 Transfer to Earmarked Reserve	174,395
 <b>Net Revenue cash flow inwards</b>	 <u><u>4,856</u></u>

## 28 Financial Instruments

### Financial Instruments by Category

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

	2007	2008
	<u>£</u>	<u>£</u>
<b>Financial assets by class</b>		
<i>Loans and receivables</i>		
Debtors due within one year	71,967	63,376
Debtors due after one year	9,000	6,000
Long-term investments	114	114
Cash and equivalents	1,092,886	1,022,456
Total loans and receivables	<u>1,173,967</u>	<u>1,091,946</u>
<b>Total financial assets</b>	<b><u>1,173,967</u></b>	<b><u>1,091,946</u></b>
<b>Financial liabilities by class</b>		
<i>Other liabilities at amortised cost</i>		
Creditors payable within one year	409,983	212,188
Long-term borrowing	125,195	115,667
Total other liabilities at amortised cost	<u>535,178</u>	<u>327,855</u>
<b>Total financial liabilities</b>	<b><u>535,178</u></b>	<b><u>327,855</u></b>

### Fair value of assets and liabilities carried at amortised cost

	2007		2008	
	Carrying Value	Fair Values	Carrying Value	Fair Values
	£	£	£	£
<b>Financial assets by class</b>				
<i>Loans and receivables</i>				
Debtors due within one year	71,967	71,967	63,376	63,376
Debtors due after one year	9,000	9,000	6,000	6,000
Long-term investments	114	114	114	114
Cash and equivalents	1,092,886	1,092,886	1,022,456	1,022,456
Total loans and receivables	<u>1,173,967</u>	<u>1,173,967</u>	<u>1,091,946</u>	<u>1,091,946</u>
<b>Total financial assets</b>	<b><u>1,173,967</u></b>	<b><u>1,173,967</u></b>	<b><u>1,091,946</u></b>	<b><u>1,091,946</u></b>
<b>Financial liabilities by class</b>				
<i>Other liabilities at amortised cost</i>				
Creditors payable within one year	409,983	409,983	180,266	180,266
Long-term borrowing	125,195	92,967	115,667	88,089
Total other liabilities at amortised cost	<u>535,178</u>	<u>502,950</u>	<u>295,933</u>	<u>268,355</u>
<b>Total financial liabilities</b>	<b><u>535,178</u></b>	<b><u>502,950</u></b>	<b><u>295,933</u></b>	<b><u>268,355</u></b>

### Assumptions in calculating fair values

#### Debtors / Creditors / Cash and Equivalents

Due to their nature and short term maturity, fair values have been estimated to approximate their carrying value. Future payments have discounted to the net present value to reflect the fair value of the liability to the Council.

#### 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 sums due

Credit risk arises from investments with banks. Money is only held in one bank and the Council has an investment policy in place which mitigates against risks in this area. In relation to the sums owed by the Council's customers, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each debt.

Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments

As all investments are placed on short-term deposit, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

## **Independent auditors' report to the Members of St Neots Town Council**

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

We have audited the Council accounting statements and related notes of St Neots Town Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Council accounting statements comprise the Council Income and Expenditure Account, the Council Statement of the Movement on the General Fund Balance, the Council Balance Sheet, the Council Statement of Total Recognised Gains and Losses and the Council Cash Flow Statement. and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of St Neots Town Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than St Neots Town Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of the Responsible Financial Officer and auditors***

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the Council accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Council and its income and expenditure for the year.

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

We read other information published with the Council accounting statements, and consider whether it is consistent with the audited Council accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Council accounting statements. Our responsibilities do not extend to any other information.

### ***Basis of audit opinion***

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give

reasonable assurance that the Council accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Council accounting statements and related notes.

### ***Opinion***

In our opinion:

- The Council financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.

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

#### ***Council's Responsibilities***

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

#### ***Auditor's Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Adverse Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice. In so doing, we identified the following:

- We were unable to satisfy ourselves that St Neots Town Council had adequate arrangements in place for achieving value for money in its management of financial and other resources
- there was no review of progress against objectives during the year and no reporting of performance against the Council's performance indicators
- documented financial procedures were not in place
- we were unable to satisfy ourselves that St Neots Town Council had maintained registers of its key risks
- Because of the absence of comprehensive financial and non-financial reporting during the year it is not possible to confirm that areas of high spending are identified and subject to review and scrutiny
- There was inadequate monitoring of the Council's financial performance during the year
- The Council does not have a written policy on the level of reserves and balances that it should maintain

For the reasons set out above, and having regard to relevant criteria specified by the Audit Commission for other local government bodies, we are not satisfied that, in all significant respects, St Neots Town Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008, in that it did not put in place:

- arrangements for setting, reviewing and implementing its strategic and operational objectives
- arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members
- arrangements to monitor the quality of its published performance information, and to report the results to members
- arrangements to maintain a sound system of internal control
- arrangements to manage its significant business risks
- arrangements to manage and improve value for money
- arrangements to ensure that its spending matches its available resources
- arrangements for managing performance against budgets
- arrangements for the management of its asset base
- arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.

#### **Auditor's responsibilities**

We have a duty under the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the body concerned or brought to the attention of the public.

We will issue a report in the public interest under section 8 of the Audit Commission Act 1998 on the subject of weaknesses in the Council's corporate governance arrangements, which will include a number of recommendations for the Council to action.

#### **Certificate**

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



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