

# Statement of Accounts

FOR THE YEAR ENDING

31st March 2007



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# Cambridge City Council Statement of Accounts 2006/07

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# Statement of Responsibilities for the Statement of Accounts

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## The Council's Responsibilities

The Council is required to:

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

## The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing the Statement of Accounts, the Director of Finance has:

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

The Director of Finance has also:

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



# Corporate Governance Statement

Cambridge City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance*. A copy of the Code is on our website at [www.cambridge.gov.uk](http://www.cambridge.gov.uk) or can be obtained from the Director of Customer & Democratic Services, The Guildhall, Cambridge.

The Code was reviewed by Civic Affairs Committee (4 April 2007) and Council (19 April 2007) as part of the arrangements to satisfy itself that its approach to corporate governance is both adequate and effective in practice.

The Director of Customer & Democratic Services (as Monitoring Officer) has been given responsibility for:

- ◆ overseeing the implementation and monitoring the operation of the Code; and
- ◆ continuing review of the operation of the Code in practice.

On the basis of the reports of the Director of Central Services arising from her review of the Council's corporate governance arrangements, we are satisfied that they are adequate and are operating effectively.


We report that there was one new action which was added to the Code of Corporate Governance last year and was due for completion by December 2006. This was a review of ethics and governance arrangements against best practice.

In the event, this was not undertaken. We reviewed the organisational effort which would have been required to complete this and decided that we needed to give priority to other important work, such as implementing our new Customer Access Strategy and preparing for urban growth. We undertook a brief desktop review of ethical governance, together with the national Improvement and Development Agency, and this did not reveal any areas of concern.

A major task for 2007 will be introducing the new Code of Conduct for Council Members and making sure that members are trained on it.


**Councillor Ian Nimmo-Smith**  
**Leader of the Council**

**Date:**

  
13 June 2007

**Rob Hammond**  
**Chief Executive**

**Date:**

  
11 June 2007





# Statement on Internal Control

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## Scope of responsibility

Cambridge City Council is responsible for ensuring 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, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## Purpose of the system of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

## The Internal Control Environment

The key elements of the internal control environment include:

- ◆ The Council's Medium Term Objectives which establish the Council's objectives over a three to five year timescale.
- ◆ The Council's Medium Term Strategy which details financial planning and associated risk assessments over a five year timescale.
- ◆ The annual service planning process which translates the Council's Medium Term Objectives into service actions.
- ◆ The Council's Constitution which sets out the rules governing the new decision making process.
- ◆ The Council's Scheme of Delegations which is in place, formally approved and available to all staff.
- ◆ The Council's Code of Corporate Governance which sets out the ways in which the Council directs and controls its functions and relates to its community.
- ◆ The performance management process which reviews and reports on performance against Council objectives at service and individual level and acts to ensure continuous improvement.

- ◆ Written financial regulations which are in place, formally approved and available to all staff.
- ◆ The annual budget process including the Medium Term Forecast which ensures the economical, effective and efficient use of resources as required by the Best Value duty and which has been further enhanced by the new government requirement to produce Annual Efficiency Statements.
- ◆ The arrangements for regular budget monitoring and reporting of budget variances to senior management.
- ◆ The CIPFA code on Treasury Management which is complied with.
- ◆ Compliance with the Prudential Code governing borrowing.
- ◆ Contract procedure rules which are in place, formally approved, subject to periodic review and available to all staff.
- ◆ The Council's procurement policy which is in place, formally approved, regularly reviewed and available to all staff.
- ◆ A Confidential Reporting Policy which is in place, formally approved, regularly reviewed and available to all staff.
- ◆ A Prevention of Fraud and Corruption Policy which is in place formally approved, regularly reviewed and available to all staff.
- ◆ Codes of Conduct for members and officers which are in place, are formally approved, regularly reviewed and available to all members and staff.
- ◆ A Register of Interest which is maintained, regularly updated and reviewed.
- ◆ Business and service continuity plans at corporate and service level.
- ◆ A corporate risk management framework which includes comprehensive risk registers and key controls to manage the principal risks to the achievement of the Council's policies, aims and objectives.
- ◆ A management reporting procedure for reporting on the position of risks and actions contained in the Council's Risk Register at key points during the corporate planning and decision making cycle.
- ◆ An Internal Audit Plan based on the Council's Risk Register and a risk-based approach to internal auditing.
- ◆ The regular independent assessment of the internal control framework which is carried out by Internal Audit.
- ◆ A corporate Health and Safety policy which is in place, has been formally approved, is subject to regular review and is available to all staff, and supported by supplementary departmental policies.
- ◆ A corporate complaints procedure which is in place, formally approved, is subject to regular review and is available to all staff.
- ◆ The management information, administrative procedures and management supervision arrangements which exist within the Council.

- ◆ The exercising of appropriate standards of governance when working in partnership with other bodies.
- ◆ The existence of an IT security policy which is supported by Acceptable Usage guidelines for employees and members.
- ◆ The arrangements in place to optimise the benefits from and usefulness of corporate assets.
- ◆ The prioritised programme of Equalities Impact Assessments.

## Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Council's review of the effectiveness of the system of internal control has been informed by the work of internal auditors and Chief Officers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

The Council's Constitution details Chief Officer responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is targeted using assessments of potential risk, with the allocation of audit resources controlled through a three year risk based work programme and annual operational plans. Both of these elements are agreed, annually, by the Council's Civic Affairs Committee. Members of this committee are regularly updated on the work of Internal Audit; as are all Executive Councillors, Committee Chairs and Spokespersons.

Individual audit reports are issued directly to the relevant Chief Officer, the Director of Finance and the Leader of the Council and Executive Summaries of Internal Audit reports are routinely sent to the Chief Executive and the Council's Monitoring Officer to ensure that action is taken in areas of non-compliance with legislation. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into the Council's Risk Register. Progress on the implementation of agreed actions is monitored by Corporate Management Team at four key points during the corporate planning and decision making cycle, thus ensuring that the Council's risks are properly managed.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms and these have been collated centrally and reviewed.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by Civic Affairs Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## Significant Internal Control Issues

Actions to be taken to deal with significant internal control issues:

### 1 Issue

Despite two separate recruitment drives, the Council has been unable to recruit a replacement for the Risk Management Officer, who left the Council at the end of January 2007. This post has therefore been vacant now for four months. This places additional pressure on the Support Services Manager and Head of Internal Audit in providing support to managers in managing their risks.

#### Action

*[Target date & Officer Responsible]*

- ◆ A review of the requirements for the Risk Management Officer post, including contracted hours and salary, should be undertaken before re-advertising this post at the earliest opportunity.

*Director of Finance  
30/06/2007*

### 2 Issue

Performance Indicators (PIs) to monitor progress against the Council's four new Medium Term Objectives (MTOs) have not yet been agreed.

#### Actions

*[Target date & Officer Responsible]*

- ◆ Members to agree on which PIs should be used to measure achievement of the Council's MTOs.

*Chief Executive  
31/07/2007*

### 3 Issue

Induction courses for new officers should incorporate suitable training on corporate governance issues and risk management.

#### Actions

*[Target date & Officer Responsible]*

- ◆ Manager induction framework is currently being reviewed and will include risk management training.

*Head of Human Resources  
30/09/07*

#### 4 Issue

Responsibilities for risk management and compliance with legislation are not currently formally included in managers' job descriptions.

##### Action

*[Target date & Officer Responsible]*

- ◆ Risk management and compliance with legislation are features within the skills and attributes of the City Leadership & Management Competency Framework, applicable to managers at all levels as part of the performance review process.
- ◆ Standard corporate clauses, including risk management and compliance with legislation, to be introduced for managers' job descriptions.

*Head of Human Resources  
31/12/2007*

#### 5 Issue

A procedure for recording details of external sources of assurance on an ongoing basis has not been implemented.

##### Action

*[Target date & Officer Responsible]*

- ◆ External sources of assurance have been updated as part of the SIC preparation. These will be published on the intranet to enable managers to examine their external sources of assurance.
- ◆ The procedure for updating the external sources of assurance will be built into the risk update process to enable regular updating of the information.

*Head of Internal Audit  
31/03/2008*

#### 6 Issue

Further Member training, building on that delivered in 2006/07, should be provided to enhance the role of the Member Risk Champion and all Members' risk management awareness.

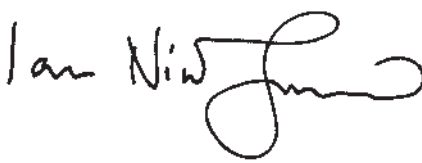
##### Action

*[Target date & Officer Responsible]*

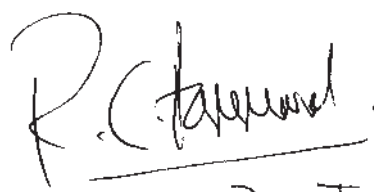
- ◆ Further training to be provided to Members on their role in the risk and assurance framework, and the role of the Member Risk Champion.

*Head of Internal Audit/Chief Executive  
31/03/2008*

**Councillor Ian Nimmo-Smith**  
**Leader of the Council**  
**Date:**

  
17 July 2007

**Rob Hammond**  
**Chief Executive**  
**Date:**

  
17 July 2007

# Independent Auditor's Report to Cambridge City Council

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## Opinion on the Financial Statements

I have audited the financial statements of Cambridge City Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Collection Fund, the Balance Sheet, the Housing Revenue Account, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Cambridge City 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.

## Respective Responsibilities of the Chief Finance Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the Statement on Internal Control reflects compliance with CIPFA's guidance. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Introduction to the Statement of Accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.



**Andy Perrin**  
**District Auditor**

**Date:** 5 SEPTEMBER 2007

Audit Commission  
1<sup>st</sup> and 2<sup>nd</sup> Floors  
Sheffield House  
Lytton Way, off Gates Way  
Stevenage  
Herts  
SG1 3HB



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

### **Authority's Responsibilities**

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

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

I am required by section 7 of the of Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report: certifying that I have done so; stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July/August 2005, in all significant respects, Cambridge City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

### **Best Value Performance Plan**

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 in December 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

## Certificate

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



**Andy Perrin**  
**District Auditor**

**Date:** 5 SEPTEMBER 2007

Audit Commission  
1<sup>st</sup> and 2<sup>nd</sup> Floors  
Sheffield House  
Lytton Way, off Gates Way  
Stevenage  
Herts  
SG1 3HB

# Introduction to the Statement of Accounts

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I am pleased to introduce the Council's Statement of Accounts for 2006/07. Cambridge City Council is a large organisation, employing the equivalent of over 1,100 full time staff, and provides a diverse range of services to its residents, local businesses and visitors. These services include the provision and upkeep of council housing, collection of refuse, leisure and recreation, car parking, environmental health, planning and development control and many more.

The accounts, set out on pages 7 to 56 have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' commonly referred to as the Statement of Recommended Practice (SORP). The accounts contain a series of statements, summarising financial activity during the year and setting out the Council's assets and liabilities at the end of the Council's financial year on 31 March, as follows:

- ◆ Income and Expenditure Account
- ◆ Statement of Movement in the General Fund Balance
- ◆ Statement of Total Recognised Gains and Losses
- ◆ Balance Sheet
- ◆ Cash Flow Statement
- ◆ Housing Revenue Account
- ◆ Collection Fund

These accounts are supported by appropriate notes, a statement of the accounting policies of the Council and a glossary of terms.

Once again, the accounts have been produced promptly and to the high standard expected of the Council. This would not have been possible without the hard work of my own staff and other finance staff across the Council, and I would like to thank them, my fellow Directors, and service managers for their assistance in the preparation of these accounts.

## Review of 2006/07

Amongst the financial achievements of the year it is particularly pleasing to note that:

- ◆ In its annual audit and inspection letter dated March 2007, the Audit Commission gave top marks to the City Council for its Financial Reporting, Financial Management and Financial Standing, putting it in the highest possible overall category, Level 4, in the 'Use of Resources' assessment. We are one of only seven district councils in this category.
- ◆ In recognition of a significant increase in the level of growth achieved in the business sector within Cambridge, the Council was awarded a special central government grant of over £1.5 million in February 2007.
- ◆ The Council embarked on a programme of major investment in the provision and improvement of face-to-face and telephone services to the public. The initial investment, of over £3.8 million, is being funded from the Council's reserves and will be repaid from savings in running costs achieved through these changes.

- ◆ The Council was selected by the department for Communities and Local Government, as one of six authorities nationally, to work with them to model and explore options for a self-financing basis for the provision of council housing, as a possible alternative to the current system of central government subsidies.
- ◆ Major investment continued to be made in the repair and improvement of council houses towards achieving the required 'Decent Homes' standard by 2010.

## Revenue Spending and Income

### General Fund Services

For 2006/07, the Council agreed a budget for net spending on services of £17.2 million. 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 City Council services was set at £142.40 for Band D properties. The table below compares the final figures (outturn) with those budgeted.

(£000s)	Original Budget	Actual	Difference
Net General Fund Spending	17,763	17,270	(493)
Contribution to/(from) reserves	(567)	1,461	2,028
<b>Total</b>	<b>17,196</b>	<b>18,731</b>	<b>1,535</b>
<b>Financed by:</b>			
Government Grant	1,916	3,450	1,534
Share of NNDR	9,924	9,924	0
Council Tax	5,356	5,357	1
<b>Total</b>	<b>17,196</b>	<b>18,731</b>	<b>1,535</b>

The Council's actual net spending was £493,000 below the original budget. This, together with the award, in February 2007, of a grant of £1,536,000 from central government recognising business growth in the City, led to an increased contribution to reserves from revenue of £2,028,000.

When the Council first approved its capital spending plans for 2006/07, it was agreed that £2.6 million would be funded by the use of General Fund reserves. In the event, re-phasing of capital expenditure from 2005/06 into 2006/07, combined with some delays in spending originally planned for 2006/07, resulted in the use of £1.3 million of reserves to finance capital.

The resulting net use of the General Fund Reserve for the year was £1,460,745. At the end of the year, the Council's General Fund Reserve stood at £12.3 million. This reserve provides financial flexibility to the Council for meeting exceptional and/or unanticipated items and is used to support the Council's capital investment programme.

## Housing Revenue Account

The Housing Revenue Account (HRA) budget was set to deliver a sustainable HRA over the long-term. Use of £500,000 of HRA reserves was approved, in the form of additional revenue contributions to capital to assist in meeting the decent homes target by 2010. This contribution was part of a longer-term strategy to reduce HRA reserves to a target level of £3 million, while providing for additional capital investment in the housing stock over the next 8 to 10 years.

Some budget revisions were agreed during the year, principally to fund expenditure originally planned for 2005/06 but which had been delayed. These changes resulted in the planned use of reserves of £787,000. At outturn, the HRA reported a use of reserves of £627,000, an under-spending of £160,000. Requests have been made to carry forward £38,000 of funding into 2007/08.

The Housing Revenue Account reserve stood at £6.7 million at the year-end.

## Capital Spending and Receipts

In 2006/07 the Council spent £22.7 million on capital projects. Of this expenditure £12 million was on major repairs and improvements to council dwellings. The other main areas of capital expenditure were:

- ◆ Environmental improvements (including developers' contributions paid to the County Council) - £3.7 million
- ◆ Leisure and community facilities - £2.5 million
- ◆ Assistance to Registered Social Landlords to build affordable housing - £1.5 million
- ◆ Repairs assistance and disabled facilities grants - £0.9 million
- ◆ Vehicles and equipment - £0.6 million

Capital receipts continue to be generated through the sale of land, council houses and shared ownership dwellings. The share of these receipts that the Council is allowed to retain amounted to £5.4 of the total receipts of £9.9 million in the year.

## External Borrowing

The Council remained debt-free at 31 March 2007.

## Pension Costs

Information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is included on pages 33 to 36. The Council's share of the assets and liabilities of the pension fund show an estimated liability of £35.7 million at 31 March 2007. This liability has no impact on the level of the Council's available reserves.

## Change in Accounting Policy

In line with the SORP 2006, the Council has changed a number of Accounting Policies and has presented its performance statements in the new format. The impact of these changes on the results for the prior period is detailed in Note 38 to the Accounts on page 31.

## Further Information

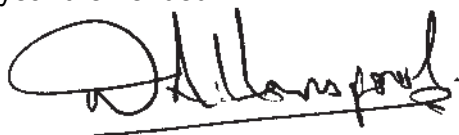
Further information about the accounts is available from:

Head of Accounting Services  
Cambridge City Council Finance Department  
Lion House  
Lion Yard  
Cambridge CB2 3NA

In addition, interested members of the public have a right to inspect the accounts each year before the audit is completed. The availability of the accounts for public inspection is advertised in the local press.

## Opinion

In my opinion the Statement of Accounts present fairly the financial position of Cambridge City Council at 31 March 2007 and its income and expenditure for the year then ended.

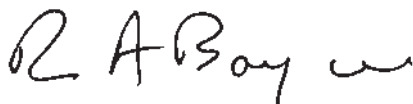


**David Horspool**  
**Director of Finance**

**Date:** 21 June 2007

### Signed on behalf of Cambridge City Council:

I confirm that these accounts were approved by the Civic Affairs Committee held on the 27 June 2007.



**Councillor R A Boyce**  
**Chair of Civic Affairs**

**Date:** June 27 2007

Main Financial Statements







## Income and Expenditure Account

This account summarises the resources that have been applied and generated in providing services and managing the Council during the last year. It includes all day-to-day expenses on an accruals basis as well as transactions measuring the value of fixed assets actually consumed and the real value of retirement benefits earned by employees in the year.

(£000s)				2006/07	2005/06 (Restated)
	Note	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
<b>Service expenditure &amp; income</b>	1				
Central services to the public		7,748	(6,093)	1,655	1,555
Cultural, environmental and planning services		35,641	(24,033)	11,608	14,659
Highways, roads and transport services		5,884	(6,645)	(761)	(1,988)
Local authority housing (HRA)		27,598	(27,903)	(305)	1,222
Other housing services		33,055	(30,067)	2,988	2,543
Corporate and democratic core		2,682	(35)	2,647	2,096
Non distributed cost		216	0	216	55
<b>Net cost of services</b>		<b>112,824</b>	<b>(94,776)</b>	<b>18,048</b>	<b>20,142</b>
Loss on disposal of assets				2,582	0
(Surpluses)/deficits on trading undertakings not included in net cost of services	2			(385)	(323)
Interest payable and similar charges				616	614
Amounts payable into the Housing Receipts Capital Pool				4,536	2,764
Interest and investment income				(3,338)	(3,017)
Pensions cost and expected return on pensions assets				144	758
<b>Net operating expenditure</b>				<b>22,203</b>	<b>20,938</b>
Income from the Collection Fund including transfers to/from the Collection Fund				(5,357)	(4,995)
General government grants				(3,450)	(8,191)
Distribution from non – domestic rates pool				(9,924)	(3,316)
<b>Deficit for the year</b>				<b>3,472</b>	<b>4,436</b>

## Statement of Movement on the General Fund Balance

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

- ◆ Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- ◆ Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- ◆ The General Fund balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

(£000s)	Note	2006/07	2005/06
Deficit for the year on the Income and Expenditure Account		3,472	4,436
Net additional amount required by statute and proper practices to be debited or credited to the General Fund balance for the year	15	(4,933)	(3,285)
<b>(Increase)/Decrease in General Fund balance for the year</b>		<b>(1,461)</b>	<b>1,151</b>
<b>General Fund balance brought forward</b>		<b>(10,858)</b>	<b>(12,009)</b>
<b>General Fund balance carried forward</b>		<b>(12,319)</b>	<b>(10,858)</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 fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

<b>(£000s)</b>	<b>Note</b>	<b>2006/07</b>	<b>2005/06</b>
Deficit on the Income and Expenditure Account for the year		3,472	4,436
Movement on the Collection Fund balance attributable to the Council		(2)	(64)
(Surplus) or deficit arising on the revaluation of fixed assets	48	(68,484)	112,877
Actuarial (gains)/losses on Pension Fund assets and liabilities	46	(10,745)	2,547
<b>Total recognised gains and losses for the year</b>		<b>(75,759)</b>	<b>119,796</b>

## Balance Sheet

This summarises the overall financial position of the Council at the 31 March 2007 showing its assets, liabilities and reserves.

(£000s)	Note	31 March 2007	31 March 2006 (Restated)
<b>Intangible assets</b>	16	<b>48</b>	<b>0</b>
<b>Tangible fixed assets</b>			
Council dwellings		577,682	530,931
Other land & buildings		88,306	84,512
Vehicles plant & equipment		4,988	4,862
Infrastructure assets		419	360
Community assets		764	759
<b>Operational assets</b>		<b>672,159</b>	<b>621,424</b>
Investment properties		86,356	75,422
Assets under construction		553	621
Surplus assets held for disposal		4,634	167
<b>Non operational assets</b>		<b>91,543</b>	<b>76,210</b>
<b>Total tangible fixed assets</b>	17-18	<b>763,702</b>	<b>697,634</b>
Long term debtors	25	234	279
Deferred premium on early repayment of debt	25	2,829	3,373
<b>Total long term assets</b>		<b>766,813</b>	<b>701,286</b>
<b>Current assets</b>			
Stocks and work in progress	26	306	373
Debtors	27	12,118	12,510
Investments	28	73,740	71,710
Cash in hand and bank		12	190
<b>Total current assets</b>		<b>86,176</b>	<b>84,783</b>
<b>Current liabilities</b>			
Cash at bank overdrawn		(580)	0
Temporary loans		(1,430)	(1,431)
Short term borrowing		0	(15)
Creditors	29	(13,336)	(15,005)
Receipts in advance	30	(4,695)	(5,389)
<b>Total current liabilities</b>		<b>(20,041)</b>	<b>(21,840)</b>
<b>Current assets less current liabilities</b>		<b>66,135</b>	<b>62,943</b>
<b>Total assets less current liabilities</b>		<b>832,948</b>	<b>764,229</b>
Creditors due after more than one year	31	(4,771)	(3,399)
Capital contributions unapplied	32	(3,124)	(4,989)
Capital contributions/grants deferred	33	(9,774)	(8,279)
Provisions	34	(508)	(176)
Pension liability	44	(35,672)	(44,048)
<b>Total assets less liabilities</b>		<b>779,099</b>	<b>703,338</b>
<b>Financed by:</b>			
Collection Fund surplus		(78)	(76)
Capital receipts deferred	47	(233)	(278)
Fixed asset restatement account	48	(642,637)	(586,658)
Capital Financing Account	50	(112,617)	(103,976)
Usable Capital Receipts reserve	51	(23,192)	(21,878)
Pensions reserve	52	35,672	44,048
Earmarked reserves	53	(16,992)	(16,332)
General Fund	54	(12,319)	(10,858)
Housing Revenue Account	55	(6,703)	(7,330)
<b>Total equity</b>	56	<b>(779,099)</b>	<b>(703,338)</b>

David Horspool  
Director of Finance



Date: 21 June

2007

## The Cash Flow Statement

This statement summarises the movements of cash into and out of the Council arising from transactions with third parties.

(£000s)	Note	2006/07	2005/06 (Restated)
<b>Revenue activities</b>			
<b>Cash outflows</b>			
Employment costs		37,055	34,066
Other operating costs		37,895	38,897
Housing Benefit paid		11,985	11,188
Cambridgeshire County Council and police and fire authority precept		40,675	37,409
Payment to National Non-Domestic Rates pool		69,398	63,190
Payments to the Capital Receipts pool		3,999	2,566
<b>Sub total</b>		<b>201,007</b>	<b>187,316</b>
<b>Cash inflows</b>			
Rents (net of rebates)		(13,922)	(13,681)
Council Tax		(41,894)	(39,577)
Community Charge		(2)	(4)
Non-Domestic Rate Income		(60,087)	(63,466)
Non-Domestic Rate Income from the National Pool		(9,924)	(3,316)
Revenue Support Grant	57	(1,914)	(7,711)
Housing & Council Tax Benefit grant	57	(31,489)	(29,315)
Other government grants	57	(3,388)	(2,886)
Cash for goods & services		(44,898)	(39,652)
Other revenue cash income		(303)	(55)
<b>Sub total</b>		<b>(207,821)</b>	<b>(199,663)</b>
<b>Net cash flow from revenue activities</b>	58	<b>(6,814)</b>	<b>(12,347)</b>
<b>Returns on investments and servicing of finance</b>			
<b>Cash outflows</b>			
Interest paid		69	67
Interest on finance lease payments		2	2
<b>Cash inflows</b>			
Interest received		(3,220)	(3,258)
<b>Returns on investment &amp; servicing of finance net cash outflow</b>		<b>(3,149)</b>	<b>(3,189)</b>
<b>Capital activities</b>			
<b>Cash outflows</b>			
Capital expenditure		20,077	18,551
Other capital cash payments		2,830	1,430
<b>Cash inflows</b>			
Capital receipts		(9,865)	(12,298)
Capital grants		(1,055)	(1,008)
Other capital contributions		(3,299)	(3,386)
<b>Capital activities net cash outflow</b>		<b>8,688</b>	<b>3,289</b>
<b>Net cash (inflow)/outflow before financing</b>		<b>(1,275)</b>	<b>(12,247)</b>
<b>Management of liquid resources</b>			
Short term investments	59	2,030	11,320
<b>Financing</b>			
Repayment of borrowing	59	2	6
Net repayment of temporary loans	59	1	2
<b>(Increase)/decrease in cash</b>	61	<b>758</b>	<b>(919)</b>



Notes to the Main Financial Statements







# Notes to the Main Financial Statements

## 1 Expenditure & Income on Services

The breakdown of services shown follows the groupings required by the Best Value Accounting Code of Practice and is intended to assist in making comparisons between different local authorities.

## 2 Trading Operations

The financial results of the Council's significant trading activities for the year are set out below.

**General Market** – The Council operates the general daily market in the City Centre together with a number of other smaller specialist markets.

(£000s)	2006/07	2005/06 (Restated)
Income	(590)	(591)
Expenditure	281	310
<b>(Surplus)</b>	<b>(309)</b>	<b>(281)</b>

**Commercial and Industrial Property** – The Council owns a number of commercial and industrial properties which it rents to local businesses.

(£000s)	2006/07	2005/06 (Restated)
Income from tenants	(5,925)	(5,915)
Reversal of impairment	(3,340)	0
Expenditure	1,297	1,239
<b>(Surplus)</b>	<b>(7,968)</b>	<b>(4,676)</b>

In 2004/05 the Council charged an impairment of £3.4 million in respect of properties demolished to make way for the Grand Arcade development. The new development has been valued as at 31 March 2007 at £3.9 million and the original impairment charge has therefore been reversed.

The 2005/06 comparative figures for the Markets and commercial and industrial property activities have been restated to exclude notional interest in line with the new accounting policy.

**Building Control** – The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

**Building Regulations  
Charging Account  
2006/07**

(£000s)	2006/07			2005/06	
	Chargeable	Non Chargeable	Total Building Control	Total Building Control	
<i>Expenditure</i>					
Employee Expenses	341	170	511	512	
Transport	3	2	5	5	
Supplies and Services	51	21	72	87	
Central and Support Service Charges	122	98	220	214	
<b>Total Expenditure</b>	<b>517</b>	<b>291</b>	<b>808</b>	<b>818</b>	
<i>Income</i>					
Building Regulation Charges	(480)	0	(480)	(513)	
Miscellaneous Income	(1)	(2)	(3)	(5)	
<b>Total Income</b>	<b>(481)</b>	<b>(2)</b>	<b>(483)</b>	<b>(518)</b>	
<b>(Surplus)/Deficit</b>	<b>36</b>	<b>289</b>	<b>325</b>	<b>300</b>	

**Surplus on trading undertakings not included in net cost of services** – The Council's City Services department carries out a number of trading activities. These include building maintenance, printing, grounds maintenance, refuse collection, building and other cleaning.

(£000s)	2006/07			2005/06 (Restated)		
	Income	Expenditure	Surplus	Income	Expenditure	Surplus
Building services	(11,314)	11,236	(78)	(10,439)	10,283	(156)
Waste services	(4,509)	4,290	(219)	(4,168)	4,082	(86)
<b>Streetscene services</b>	<b>(4,880)</b>	<b>4,821</b>	<b>(59)</b>	<b>(4,757)</b>	<b>4,704</b>	<b>(53)</b>
<b>Other services</b>	<b>(678)</b>	<b>649</b>	<b>(29)</b>	<b>(656)</b>	<b>628</b>	<b>(28)</b>
<b>Total</b>	<b>(21,381)</b>	<b>20,996</b>	<b>(385)</b>	<b>(20,020)</b>	<b>19,697</b>	<b>(323)</b>

Recharges for internal work carried out by the trading operation have been priced to include a cost of capital recovery, to be comparable with the private sector. As the SORP does not permit charges for cost of capital to be debited to trading accounts, the recharges that have been made have resulted in a surplus for these activities. If cost of capital charges had been made, Building Services would have made a surplus of £78,576 (£65,351 in 2005/06), Waste Services a surplus of £219,214 (£2,703 in 2005/06), Streetscene a surplus of £58,122 (a deficit of £49,518 in 2005/06) and other services a surplus of £28,583 (£14,467 in 2005/06).

### 3 Adjustment for Depreciation and impairment

Each year, a local authority must calculate an amount, to be set-aside from the revenue account, to be used for the future repayment of external borrowing. This amount is known as the minimum revenue provision (MRP) and can be a zero figure. The difference between the calculated MRP and depreciation charges and impairment adjustments to revenue have been debited back to the Statement of Movement on the General Fund Balance.

(£000s)	2006/07	2005/06
Statutory MRP	0	0
Amount charged as depreciation/impairment	(820)	2,147
<b>Credit to General Fund</b>	<b>820</b>	<b>(2,147)</b>
Net MRP	0	0

### 4 Section 137 Expenditure

Section 137 of the Local Government Act 1971, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £788.60 mainly to voluntary bodies working in the local area. The Council also lets out the Guildhall halls at a reduced rate to Charities and not-for-profit bodies. The monetary value of the discount granted was £5,600 in 2006/07 (£6,230 in 2005/06).

### 5 Publicity Expenditure

Section 5 of the Local Government Act, 1986, requires local authorities to disclose expenditure on publicity in the financial year. In 2006/07 the City Council spent £731,109 (£681,759 in 2005/06). The expenditure is incurred by advertising for staff, discretionary and mandatory advertising and publicity in connection with various Council activities.

### 6 Agency Services

The Council operates Local Authority Parking Enforcement (LAPE) on behalf of Cambridgeshire County Council. The total cost in 2006/07 was £1,272,902 (£1,140,235 in 2005/06) of which the County reimbursed £407,900 (£397,902 in 2005/06). The net surplus, after external parking charges income, was £395,397 (£471,753 in 2005/06). Of this surplus, £197,999 was returned to the County and the remaining £197,999 is earmarked for future transport-related spending.

The Council also managed, on behalf of the County, the operation of on-street parking services and, for the period to 30 June 2006, the operation of park and ride sites. Net surplus income for 2006/07 of £1,368,543 (£1,190,676 in 2005/06) from parking charges was reimbursable to the County.

Following the transfer of the City Council Engineering function to Cambridgeshire County Council, an agency agreement has been in operation for the delivery of

highway functions and services from 1 April 2005. Total reimbursable expenditure due to the County Council for City Council functions performed by it in 2006/07 was £92,920 (£214,277 in 2005/06). Total reimbursable expenditure due to the City Council for County Council functions performed by it in 2006/07 was £162,999 (£158,412 in 2005/06).

## 7 Local Authority (Goods and Services) Act 1970

This act empowers the Council to provide goods and services to other local authorities and to certain other public bodies. In 2006/07 the City Council received income of £2,247,384 (£2,555,006 in 2005/06) for services provided to Housing Associations, Trusts and other local authorities. The expenditure incurred was £2,151,367 (£2,484,971 in 2005/06).

## 8 Pension Costs

Details of pension costs are included in the statement of Pensions Costs, Assets & Liabilities starting on page 33.

## 9 Members Allowances

The total allowances paid to members during the Municipal year 2006/07 were £223,379 (£229,437 in 2005/06). Details of individual Members' payments are published annually in the local newspaper.

## 10 Operating Leases

The Council made the following payments under operating leases in 2006/07:

(£000s)	2006/07	2005/06
Buildings	249	172
Equipment	17	44
<b>Total</b>	<b>266</b>	<b>216</b>

The Council is lessor of a number of commercial properties. These are accounted for as operating leases. Total rentals receivable for these properties amounted to £5.8 million in 2006/07, (£5.7 million in 2005/06).

## 11 Finance Leases

The Council also holds assets under finance leases. Payments in 2006/07 amounted to £2,247 (£2,247 in 2005/06) and all relate to buildings.

## 12 Related Party Transactions

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.

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 transactions that the Council has with other parties (for example, Housing Benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. During 2006/07 the Community Services Scrutiny Committee paid grants totalling £505,541 (£453,184 in 2005/06) to voluntary organisations in which 29 members had an interest. The relevant members did not take part in any discussion or decision relating to the grants.

No other material transactions have been identified for disclosure which are not already included elsewhere in this Statement of Accounts.

### 13 Employee Remuneration

Details of the numbers of City Council staff whose remuneration was £50,000 or more are set out below. These are shown in bands of £10,000.

	2006/07	2005/06
£50,000 - £59,999	10	8
£60,000 - £69,999	1	2
£70,000 - £79,999	5	3
£80,000 - £89,999	0	0
£90,000 - £99,999	0	1
£100,000 - £109,999	1	0

There are no staff who receive payments above £109,999. Remuneration excludes employer's and employees' pension contributions, but includes any other employee benefits, calculated on the basis of the taxable benefits to which they give rise.

### 14 Audit Costs

In 2006/07 Cambridge City Council incurred the following fees relating to external audit and inspection.

(£000s)	2006/07	2005/06
<b>Fees payable to the Audit Commission in respect of:</b>		
External audit services carried out by the appointed auditor	98	100
Fees payable in respect of statutory inspection	6	2
Certification of grant claims and returns	20	15
Fees payable in respect of other services	1	3
<b>Total</b>	<b>125</b>	<b>120</b>

## 15 Note to the Statement of Movement on the General Fund Balance

(£000s)	2006/07	2005/06
<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>		
Depreciation and impairment of fixed assets	820	(2,147)
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	(1,853)	(3,446)
Government grants deferred amortisation	320	253
Write downs of deferred charges and de minimis capital expenditure to be financed from capital resources	(3,786)	(2,462)
Capital contributions for deferred charges	2,502	751
Net surplus/deficit on sale of fixed assets	(2,582)	0
Net charges made for retirement benefits in accordance with FRS17	(5,876)	(4,788)
	<b>(10,455)</b>	<b>(11,839)</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>		
Capital expenditure charged in-year to the General Fund balance	2,681	4,656
Capital expenditure charged in-year to the Housing Revenue Account balance	3,118	2,434
Transfer from Usable Capital Receipts to meet payments to the Housing Receipts Pool	(4,536)	(2,764)
Employer's contributions payable to the Cambridgeshire County Council Pension Fund and retirement benefits payable direct to pensioners	3,507	2,816
	<b>4,770</b>	<b>7,142</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>		
Transfer of Housing Revenue Account surplus or deficit for the year	(627)	5
Net transfer to or from earmarked reserves	1,379	1,407
	<b>752</b>	<b>1,412</b>
<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>(4,933)</b>	<b>(3,285)</b>

## 16 Intangible Fixed Assets

The table below explains the movement in the value of intangible fixed assets in the balance sheet for 2006/07.

(£000s)	Purchased Software Licences
Balance as at 1 April 2006	0
Expenditure in year	60
Amortised during the year	(12)
Balance at 31 March 2007	<b>48</b>

A Novell Strategic Enterprise Agreement licence (which covers the Council's network and e-mail system) cost £60,000 in 2006/07 and is being amortised over the life of the licence which runs from 1 January 2007 to 31 March 2008.

## 17 Tangible Fixed Assets and Capital Expenditure

The tables below explain the movement in the value of tangible fixed assets in the balance sheet for 2006/07.

### Operational Assets

(£000s)	Operational assets					Total
	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure Assets	Com-munity Assets	
<b>Opening gross book value as at 1 April 2006</b>	<b>530,931</b>	<b>85,773</b>	<b>7,571</b>	<b>463</b>	<b>806</b>	<b>625,544</b>
Additions	12,016	1,988	1,408	72	16	15,500
Completion of assets under construction	0	331	101	0	14	446
Transfers from/(to) other categories	0	(142)	(399)	0	0	(541)
Disposals	(8,868)	0	0	0	0	(8,868)
Revaluations	43,603	2,399	(3)	0	0	45,999
<b>Gross book value as at 31 March 2007</b>	<b>577,682</b>	<b>90,349</b>	<b>8,678</b>	<b>535</b>	<b>836</b>	<b>678,080</b>
<b>Opening depreciation &amp; impairment 1 April 2006</b>	<b>0</b>	<b>(1,261)</b>	<b>(2,709)</b>	<b>(103)</b>	<b>(47)</b>	<b>(4,120)</b>
Depreciation	(6,726)	(1,385)	(1,272)	(13)	(25)	(9,421)
Transfers to other categories	0	3	291	0	0	294
Depreciation adjustment on revaluations	6,655	465	0	0	0	7,120
Depreciation eliminated on disposed assets	71	0	0	0	0	71
Reversal of impairment	0	135	0	0	0	135
<b>Accumulated depreciation/impairment as at 31 March 2007</b>	<b>0</b>	<b>(2,043)</b>	<b>(3,690)</b>	<b>(116)</b>	<b>(72)</b>	<b>(5,921)</b>
<b>Net Book value as at 31 March 2007</b>	<b>577,682</b>	<b>88,306</b>	<b>4,988</b>	<b>419</b>	<b>764</b>	<b>672,159</b>
<b>Net book value as at 31 March 2006</b>	<b>530,931</b>	<b>84,512</b>	<b>4,862</b>	<b>360</b>	<b>759</b>	<b>621,424</b>

## Non-Operational Assets

(£000s)	Non- operational assets			Total
	Investment Properties	Assets Under Construction	Surplus Assets for Disposal	
<b>Opening gross book value as at 1 April 2006</b>	<b>78,810</b>	<b>621</b>	<b>167</b>	<b>79,598</b>
Additions	143	379	13	535
Completion of assets under construction	0	(447)	0	(447)
Transfer from/(to) other categories	(3,827)	0	4,074	247
Disposals	0	0	(3,708)	(3,708)
Revaluations	11,278	0	4,088	15,366
<b>Gross book value as at 31 March 2007</b>	<b>86,404</b>	<b>553</b>	<b>4,634</b>	<b>91,591</b>
<b>Opening depreciation &amp; impairment 1 April 2006</b>	<b>(3,388)</b>	<b>0</b>	<b>0</b>	<b>(3,388)</b>
Impairment reversal	3,340	0	0	3,340
<b>Accumulated depreciation/impairment as at 31 March 2007</b>	<b>(48)</b>	<b>0</b>	<b>0</b>	<b>(48)</b>
<b>Net book value as at 31 March 2007</b>	<b>86,356</b>	<b>553</b>	<b>4,634</b>	<b>91,543</b>
<b>Net book value as at 31 March 2006</b>	<b>75,422</b>	<b>621</b>	<b>167</b>	<b>76,210</b>

### 18 Programme of fixed assets revaluation

The following statement shows the progress of the Council's programme for the revaluation of assets. Programmed current year valuations were carried out by:

Mr CLN Carter MA MRICS (District Valuer);  
Mr J Sommerville BSc (Hons) MRICS (Bidwells)

The basis for valuation is set out in the statement of accounting policies on page 59.

The following statement should be noted with regards to the valuations carried out by Bidwells Property Consultants:-

In reaching the final valuation figure, Bidwells has departed from the Appraisal and Valuation Standards prepared by the Royal Institution of Chartered Surveyors. This is because the valuation of the portfolio is such that Bidwells have only been instructed to inspect operational properties not previously inspected by them at the date of valuation (31 March 2007). They have therefore relied on information either obtained by them in 1994, 1999, 2002 and 2007, or first and subsequently provided by Cambridge City Council in order to reach their conclusions.



The gross book value of assets valued by Bidwells Property Consultants during the 2006/07 valuation process totalled £43.3 million, this equates to 6.9% of the total gross valuations carried out during the year.

The Council's internal valuers, Mr J Cowin MRICS and Mr D Hirsch MSc FRICS, carry out any ad-hoc revaluations required outside of the rolling programme.

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>Infra-structure assets</b>	<b>Community Assets</b>	<b>Non-Operational Assets</b>	<b>Total</b>
<b>Valued at historic cost</b>	-	-	4,988	419	764	553	6,725
<b>Valued at current value as at:</b>							
31 March 2007	577,682	12,745	-	-	-	33,518	623,945
31 March 2006	-	40,812	-	-	-	29,582	70,394
31 March 2005	-	19,945	-	-	-	11,191	31,136
31 March 2004	-	9,186	-	-	-	9,492	18,678
31 March 2003	-	5,618	-	-	-	7,207	12,824
<b>Total</b>	<b>577,682</b>	<b>88,306</b>	<b>4,988</b>	<b>419</b>	<b>764</b>	<b>91,543</b>	<b>763,702</b>

The last full valuation was carried out during 1998/99, using a valuation date of 31 March 1999.

## 19 Depreciation – Useful Lives

The majority of the Council's operational assets are council dwellings. The District Valuer last carried out a full valuation of council dwellings during 2006/07. Council dwellings are placed into three useful life bandings. Assets built before 1945 were assessed as having a remaining useful life of 35 years, those built between 1945 and 1974 have a remaining useful life of 45 years and those built from 1974 onwards having a remaining useful life of 55 years. These assets are being depreciated in accordance with the HRA Resource Accounting regulations, which came into effect from 1 April 2001.

The remaining operational assets that have useful lives are being depreciated in accordance with the statement of accounting policies outlined on page 60. At the end of the financial year impairment reviews were carried out, by the Council's internal Asset Registrar Mr D Hirsch MSc FRICS, on those operational assets not depreciated. No additional impairments were identified.

The useful lives of assets are estimated as:

<b>Class of Asset</b>	<b>Council Dwellings</b>	<b>Other Buildings</b>	<b>Plant &amp; Equipment</b>	<b>Vehicles</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>
Useful life by years	38 - 60	60	3 - 20	3 - 10	40	10 - 60

## 20 Physical Assets Held

Major assets held at 31 March 2007 were:-

	31 March 2007 No	31 March 2006 No
<b>Dwellings</b>		
Housing stock	7,524	7,600
Shared ownership	95	99
<b>Operational assets</b>		
Operational offices	11	12
Sports/swimming	7	6
Depots	2	2
Car parks	9	9
Community centres	8	8
Concert hall	1	1
Public WCs	10	11
Cemeteries	1	1
Crematorium	1	1
Weekly let garages	1,861	1,901
Surgery	1	1
<b>Non-operational assets</b>		
Development sites	2	2
Leased property/land	365	361
Museum/heritage properties	1	1
<b>Infrastructure assets</b>		
Private roads/paths	6	3
<b>Community assets</b>		
Skateboard ramps/play areas	13	9
Pavilions	3	3
Allotment site & buildings	3	3
Nature reserve	2	1
All weather facilities	3	3
WCs	4	2
	<b>Area in hectares</b>	
Commons	109	109
Allotments	34	34
Public open space	83	83

## 21 Capital expenditure and financing

(£000s)	2006/07	2005/06 (Restated)
<b>Opening capital financing requirement</b>	<b>(1,281)</b>	<b>(1,281)</b>
<b>Capital expenditure</b>		
Council housing	12,028	11,017
Renovation & disabled facilities grants	926	1,062
Assistance to housing associations	1,520	91
Leisure & community facilities	2,450	3,036
Environmental improvements	891	892
Car parks & parking enforcement	215	207
Waste collection	403	136
City Services vehicles & equipment	558	702
Commercial properties	137	2,240
Other (administrative properties & equipment)	751	971
Developers' contributions paid to the County Council	2,830	1,430
<b>Financed by:</b>		
Capital receipts	(4,105)	(6,774)
Revenue & Reserves	(11,441)	(12,006)
Grants & contributions	(7,163)	(3,004)
<b>Closing capital financing requirement</b>	<b>(1,281)</b>	<b>(1,281)</b>

## 22 Capital Commitments

At the 31 March 2007, the Council was contractually committed to capital works valued at approximately £4.3 million, as shown in the following table:

(£000s)	31 March 2007	31 March 2006
<b>General Fund</b>		
Compulsory Purchase Orders	391	0
Public conveniences	50	216
Arbury Park	1,882	2,758
Refuse collection vehicles	132	226
Capital works at the crematorium	0	74
Buchan Street neighbourhood centre	0	79
Controlled drinkers project	12	500
Housing association scheme at Cambourne	0	105
St Andrews Hall	0	246
Arbury community centre	125	0
Grand Arcade Partnership	250	0
Environmental improvements programme	86	0
PVCu refurbishment	50	0
Bishops Mill sluice	101	0
Other works – less than £50,000 per contract	320	182
Affordable Homes	874	0
<b>Housing Revenue Account</b>		
Decent Homes capital programme	0	3,675
<b>Other works – Less than £50,000</b>	30	0
<b>Total</b>	<b>4,303</b>	<b>8,061</b>

The majority of capital expenditure under these contracts will be incurred in 2007/08 except for the £85,000 of General Fund works due in 2008/09.

### 23 Operating leases

At 31 March 2007 the future liability under existing operating leases was as follows:

(£000s)	Buildings	Other	Total
<b>Future rental liabilities</b>			
Leases expiring within five years	0	54	54
Leases expiring in more than five years	1,877	11	1,888
<b>Total</b>	<b>1,877</b>	<b>65</b>	<b>1,942</b>

With regard to the Authority's activity as a lessor, the gross value of assets held for use in operating leases granted on commercial property was £86.4 million (£78.8 million in 2005/06). These assets are held as investment properties in accordance with the SORP and accordingly no depreciation is charged upon them.

### 24 Finance leases

The following assets are held under finance leases by the Council, accounted for as part of Tangible Fixed Assets:

(£000s)	Valuation as at 31 March 2007	Valuation as at 31 March 2006
Property leases	1,439	1,439

As these assets are held as investment properties no depreciation was charged on them during the period. Lease payments in 2006/07 were £2,247. These payments were accounted for as finance costs.

## 25 Long Term Debtors and Deferred Premium on Early Repayment of Debt

These are debtors which fall due after a period of at least one year.

(£000s)	31 March 2007	31 March 2006
Mortgages	133	165
Other	101	114
<b>Long term debtors</b>	<b>234</b>	<b>279</b>

The deferred premium on early repayment of debt represents the balance of the additional charge incurred when the Council prematurely repaid its Public Works Loan Board debt on 31 March 2003. This premium is being written off over ten years.

## 26 Stocks and Work in Progress

(£000s)	31 March 2007	31 March 2006
<b>Stocks</b>		
City Services department	233	302
Other	51	44
<b>Total stocks</b>	<b>284</b>	<b>346</b>
<b>Work-in-progress</b>		
City Services department	22	27
<b>Total work-in-progress</b>	<b>22</b>	<b>27</b>
<b>Total</b>	<b>306</b>	<b>373</b>

**27 Debtors**

(£000s)	31 March 2007	31 March 2006
<b>Amounts falling due within one year</b>		
Government departments	972	1,400
Housing tenants	1,289	1,189
Community charge payers	2	4
Council tax payers	8,999	8,838
Sundry debtors	6,143	5,848
<b>Total</b>	<b>17,405</b>	<b>17,279</b>
Less provision for bad debts	(5,287)	(4,769)
<b>Total</b>	<b>12,118</b>	<b>12,510</b>

**28 Investments**

(£000s)	Value as at 31 March 2007	Cost at 31 March 2007	Value as at 31 March 2006
Money market investments	73,740	73,740	71,710

**29 Creditors**

(£000s)	31 March 2007	31 March 2006 (Restated)
Government departments	2,492	1,668
Capital creditors	2,171	2,368
Developers' contributions	1,063	4,639
Sundry creditors	7,610	6,330
<b>Total</b>	<b>13,336</b>	<b>15,005</b>

**30 Receipts in Advance**

(£000s)	31 March 2007	31 March 2006
Council Tax	2,312	2,429
National Non Domestic Rate	1,326	1,708
Developers' Contributions maintenance	305	309
Other	752	943
<b>Total</b>	<b>4,695</b>	<b>5,389</b>

### 31 Creditors due in more than one year

(£000s)	31 March 2007	31 March 2006
Developers' contributions	4,771	3,399
<b>Total</b>	<b>4,771</b>	<b>3,399</b>

### 32 Capital Contributions Unapplied

This account includes unspent capital contributions from developers where the Council has no obligation to repay if projects are not completed within a specified timescale.

### 33 Government Grants – Deferred Account

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

### 34 Provisions

(£000s)	2006/07		2005/06	
	Insurance	PVCu	Insurance	PVCu
<b>Balance as at 1 April</b>	<b>176</b>	<b>0</b>	<b>193</b>	<b>0</b>
Movement in the year	190	142	(17)	0
<b>Balance as at 31 March</b>	<b>366</b>	<b>142</b>	<b>176</b>	<b>0</b>

The insurance provision has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However, the actual cost (if any) of individual claims and the timing of payments are uncertain and may be dependent on the results of negotiation and/or legal action.

Under current insurance arrangements, the Council takes responsibility for meeting the first £10,000 of any liability or motor claim up to a total combined loss in any insurance year of £275,000. For property losses, the Council is responsible for meeting up to £150,000 of claims in respect of General Fund property from the provision and up to £250,000 for HRA property from the HRA. Claims or losses in excess of these amounts are met by the Council's external insurers.

The Council's PVCu windows factory closed in October 2006. A 10 year warranty on all units manufactured since 1997 has been given by the Council and claims could be received until 2017. A warranty provision has been established based on a percentage of the contract values.

## 35 Contingent Liabilities and Assets

### Compulsory Purchase Orders

At the end of the 2003/04 financial year the Council compulsorily purchased a property. The obligation to compensate the previous owner arises when the claimant actually claims compensation and such amount is agreed or awarded by the Lands Tribunal.

The claimant has 12 years from the date of purchase to make a claim for compensation and is entitled to the value of land and property, plus interest accrued in accordance with the interest rate set in the Land Compensation Act 1961. The value plus accumulated interest at 31 March 2007 is £335,004.

The claimant has been notified of their rights but no indication has yet been received on when the amount may become payable.

The Council, on 28 July 2003, made a Compulsory Purchase Order (CPO) to facilitate a new shopping centre in Cambridge. The CPO was confirmed in September 2004 and the land vested in the Council on 5 January 2005. A total of five claims have now been received, with one claim outstanding. Three claims have been settled and two claimants have received estimated 90% advance payments of compensation. Payments totalling £2,893,215 have been made. The Council is working to settle the claims where advance payments have been made.

An indemnity agreement was completed on 17 July 2003 with the Grand Arcade Partnership (GAP), a special purpose vehicle comprising Grosvenor Developments and the Universities Superannuation Scheme, which ensures that monies are transferred to the Council from GAP at least three days before the Council has to make any payments.

### Insurance

During 2005/06 the Council settled a mesothelioma claim brought by the widow of a former employee. The Council's insurers are currently refusing to cover the claim, as they believe that the wording of the employer's liability insurance cover is such that the circumstances are not covered. It is anticipated that a test case will be brought to assess the wording of employer's liability policies. Solicitors who are dealing with the claim on behalf of the Council are maintaining a watching brief and in the event that the claim is settled by the insurers the costs incurred to date of £159,888 (including legal costs) will be recoverable.

In 1992-93 the Council's insurers, Municipal Mutual Insurance (MMI), ceased taking new business and are now being managed under a "scheme of arrangement". City Council claims payments under this arrangement are £853,084. It is possible that a proportion of this may need to be repaid or not be receivable by the Council if the scheme of arrangement triggers insolvency, but the amount cannot be quantified at this stage. The balance sheet as at 30 June 2006 shows the total assets of MMI stood at £172 million. MMI are cautiously optimistic that, on the basis of all the information currently known to them, a solvent run-off can be achieved.



## Legal Cases

The Council is currently awaiting the reports of expert witnesses, regarding possible construction defects at Parkside Pool. The outcome of these reports will determine whether it will be in the Council's best financial interest to pursue a legal case against the contractors.

The Council has withheld a payment of £55,846 in respect of three recycling vehicles which were delivered late. The withheld amount represents the cost to the Council of hiring replacements during the delay. The matter is being dealt with by our solicitors.

There are two ongoing legal cases in respect of planning issues. A legal challenge by way of judicial review, has been made by a developer to a decision not to allocate a site in the west of the City for housing in the Local Plan. Another developer is disputing the assessment of transport infrastructure contributions required for a development. In both cases, should legal proceedings find against the Council it would be liable for some or all of the claimants' costs.

## 36 Deferred Charges

(£000s)	2006/07	2005/06 (Restated)
<b>Balance as at 1 April</b>	<b>0</b>	<b>0</b>
Improvement grants	911	1,062
Grants for community facilities	646	231
Other grants	0	58
Other expenditure	388	586
Grants for affordable housing	1,520	0
Written off to Income and Expenditure Account	(3,465)	(1,937)
<b>Balance as at 31 March</b>	<b>0</b>	<b>0</b>

## 37 Introduction of the Euro

The Council has considered the impact of the introduction of the Euro. The future costs of dealing with the Euro are not expected to be significant and will be accounted for as incurred.

## 38 Prior Period Adjustments

In the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts

Credits for government grants deferred are now posted to the service revenue accounts, support services and trading accounts rather than credited as a corporate income item

Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

In addition, a further adjustment has been made to the 2005/06 accounts following clarification of the accounting treatment of unfunded pension contributions as advised in the report from the Pension Scheme Actuary. This adjustment has no impact on the overall General Fund movement in 2005/06 or the balance sheet.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts:

(£'000s)	Consolidated Revenue Account in 2005/06 Statement of Accounts	Removal of capital financing charges	Relocation of government grants deferred credits	Unfunded pension contributions adjustment	Restated 2005/06 in Income and Expenditure Account
Central services to the public	1,613	(46)	(2)	(10)	1,555
Cultural, environmental and planning services	18,594	(3,520)	(237)	(178)	14,659
Highways, roads and transport services	(1,132)	(830)	(10)	(16)	(1,988)
Local authority housing (HRA)	24,999	(23,777)			1,222
Other housing services	2,634	(17)		(74)	2,543
Corporate and democratic core	2,178	(78)	(4)		2,096
Non distributed cost	55				55
<b>Net cost of Services</b>	<b>48,941</b>	<b>(28,268)</b>	<b>(253)</b>	<b>(278)</b>	<b>20,142</b>
(Surpluses)/ deficits on trading undertakings	(33)	(290)			(323)
Asset management revenue account (interest payable and similar charges in 2006/07)	(28,782)	28,598	253		69
Capital charge loan interest	40	(40)			0
Amounts payable into the Housing Receipts Capital Pool	2,764				2,764
Early redemption premium (interest payable and similar charges in 2006/07)	545				545
Investment income	(3,017)				(3,017)
Pensions interest cost and expected return on assets	758				758
<b>Net operating expenditure</b>	<b>21,216</b>	<b>0</b>	<b>0</b>	<b>(278)</b>	<b>20,938</b>

The movement on the Statement of Recognised Gains and Losses reconciles to the movement in the balance sheet. This has resulted in some reordering of the balance sheet and the disaggregation of the Collection Fund surplus into that due to the Council, which is still shown on the face of the balance sheet, and that due to other authorities which is now shown within sundry creditors.

In addition to the changes required by the SORP, the accounting treatment of developers' contributions paid to the County Council has been revised. These payments were previously shown as expenditure in the form of deferred charges in the accounts with a corresponding credit representing the release of the contribution received from the developers so that the transaction had no net effect on operating expenditure. As these payments represent the passing-on of developers' funding to the County Council the decision has been taken to exclude them from the City Council's performance statements. The amount involved in 2006/07 is £2,840,000 (£1,430,000 in 2005/06) and the 2005/06 comparatives have been restated where applicable to reflect this change. This change in policy has no impact on the overall performance reported or on the balance sheet.

### **39 Date the Statement of Accounts were authorised for issue**

The Statement of Accounts were authorised for issue by the Director of Finance on 21 June 2007. This is the date up to which events after the balance sheet date have been considered.

## **Pension Costs, Assets & Liabilities**

### **40 Pension Scheme**

Employees of Cambridge City Council may participate in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. This is a funded 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.

### **41 Revenue Cost to Cambridge City Council**

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

(£000s)	2006/07	2005/06
<b>Income and Expenditure Account</b>		
<b>Net cost of services</b>		
Current service cost	5,516	3,975
Non distributed cost	216	55
<b>Net operating expenditure</b>		
Interest cost	7,554	6,865
Expected return on assets	(7,410)	(6,107)
<b>Net charge to the Income &amp; Expenditure Account</b>	<b>5,876</b>	<b>4,788</b>
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	(2,369)	(1,972)
<b>Actual amounts charged against the General Fund balance for pensions in the year:</b>		
<b>Employers contributions payable</b>	<b>3,507</b>	<b>2,816</b>

In 2006/07 the Council paid an employer's contribution of £3,228,302, representing 12.8% of employees' pensionable pay, into Cambridgeshire County Council's Pension Fund (£2,537,696 and 10.9% in 2005/06), which provides members with defined benefits related to pay and service.

#### 42 Valuation of the Pension Fund

The contribution rate is determined by the Fund actuary based on triennial valuations. Costs in 2006/07 were determined on the basis of contribution rates set in the latest formal valuation of the Pension Fund as at 31 March 2004 and rolled forward by Hymans Robertson, the independent actuaries to the County Council Fund. Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels. This valuation concluded that, to meet future funding requirements, an increase in the contribution rate for Cambridge City was required to 12.8%, effective from 1 April 2006.

Due to reduced investment returns and taking account of estimated liabilities, this new contribution rate is no longer considered adequate to cover 100% of the liabilities and contribution rates over the next few years will be as follows:

1 April 2007	14.6%
1 April 2008	16.5%
1 April 2009	18.3%
1 April 2010	20.2%

The next formal valuation is due as at 31 March 2007 when contribution rates will again be reviewed.

It should be noted that if the age profile of the active membership is rising significantly then, under the projected unit method, the current service costs will increase as the members of the scheme approach retirement.

### 43 Assumptions Used for Valuation of the Fund

The main assumptions used in the Pension Fund calculations are as shown below:

County Fund – Main Assumptions	Valuations as at		
	31 March 2007	31 March 2006	31 March 2005
- rate of inflation	3.2%	3.1%	2.9%
- rate of increase in salaries	4.7%	4.6%	4.4%
- rate of increase in pensions	3.2%	3.1%	2.9%
- rate of discounting scheme liabilities	5.4%	4.9%	5.4%

In accordance with CIPFA guidance, the rate of discounting scheme liabilities for the 2006/07 financial year is the yield available on long-dated, high quality corporate bonds at the FRS17 valuation date, which was 5.4%

### 44 Cambridge City Council's Assets and Liabilities in the Fund

The position is outlined below and takes into account the commitments from discretionary payments outside the main scheme.

(£000s)	2006/07	2005/06
Share of assets in County Council Fund	118,094	108,661
Estimated liabilities in County Council Fund	(149,429)	(148,192)
<b>Net liabilities in County Fund</b>	<b>(31,335)</b>	<b>(39,531)</b>
Estimated liabilities for discretionary pensions	(4,337)	(4,517)
<b>Net pension liability</b>	<b>(35,672)</b>	<b>(44,048)</b>

The impact on the Council's assets and liabilities, stated above, has been incorporated in the Council's financial accounts.

The net pension liability shows the underlying commitment that the authority has, in the long term, to pay retirement benefits. Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

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

### 45 Total County Pension Fund Assets

Assets are valued at fair value, principally market value for investments and consist of:

(£000s)	Proportion of Total Assets held by the Fund		Expected Rate of Return per annum	
	31 March 2007	31 March 2006	31 March 2007	31 March 2006
Equity Investments	74.2%	75.3%	7.8%	7.4%
Bonds	11.3%	12.7%	4.9%	4.6%
Property	12.4%	9.3%	5.9%	5.5%
Cash	2.1%	2.7%	4.9%	4.6%
<b>Total Fund Assets</b>	<b>100%</b>	<b>100%</b>	<b>7.2%</b>	<b>6.8%</b>

#### 46 Movement in Net Pension Liabilities

The movement in the net pension liabilities for Cambridge City council is analysed below.

(£000s)	2006/07	2005/06
<b>(Deficit) as at 1 April</b>	<b>(44,048)</b>	<b>(39,529)</b>
Current service cost	(5,516)	(3,975)
Employer contributions	3,241	2,538
Contributions in respect of unfunded benefits	266	278
Impact of settlements and curtailments	(216)	(55)
Net return on assets	(144)	(758)
Actuarial gains/(losses)	10,745	(2,547)
<b>(Deficit) as at 31 March</b>	<b>(35,672)</b>	<b>(44,048)</b>

The actuarial gains/losses identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2007:

	2006/07		2005/06		2004/05		2003/04		2002/03	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	1,125	3.2	15,484	35.2	4,194	10.6	11,100	56.4	(22,890)	80.3
Differences between actuarial assumptions about liabilities and actual experience	9,620	27.0	(18,031)	40.9	(22,977)	58.1	(163)	0.8	20	0.1
<b>Actuarial gain/(loss) in pension plan</b>	<b>10,745</b>		<b>(2,547)</b>		<b>(18,783)</b>		<b>10,937</b>		<b>(22,870)</b>	

Further information about the Pension Fund can be found in Cambridgeshire County Council's Pension Fund Annual Report, which is available on request from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

## Reserves

### 47 Capital Receipts Deferred

Deferred Capital Receipts are amounts due from the sale of assets and from loans given to meet capital expenditure, which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses.

### 48 Fixed Asset Restatement Account

This account is debited or credited with the deficits or surpluses arising on the revaluation of assets and is written down by the net book value of assets as they are disposed of.

(£000s)	2006/07			2005/06 (Restated)
	General Fund	HRA	Total	Total
<b>Balance as at 1 April</b>	<b>(121,712)</b>	<b>(464,946)</b>	<b>(586,658)</b>	<b>(711,833)</b>
(Surplus)/Deficit on revaluation of fixed assets	(11,554)	(56,930)	(68,484)	112,877
Disposal of fixed assets	72	12,433	12,505	12,298
<b>Balance as at 31 March</b>	<b>(133,194)</b>	<b>(509,443)</b>	<b>(642,637)</b>	<b>(586,658)</b>

### 49 Disposal of Fixed Assets

(£000s)	2006/07			2005/06 (Restated)
	General Fund	HRA	Total	Total
Book value of assets disposed of during the year	72	12,504	12,576	13,192
Accumulated depreciation on disposed assets	0	(71)	(71)	(691)
Deferred Grant written out	0	0	0	(203)
<b>Net book value of disposed assets</b>	<b>72</b>	<b>12,433</b>	<b>12,505</b>	<b>12,298</b>

## 50 Capital Financing Account

The Capital Financing Account contains the amounts, which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

(£000s)	2006/07	2005/06 (Restated)
<b>Balance as at 1 April</b>	<b>103,976</b>	<b>97,111</b>
Capital Financing		
- Capital receipts transferred from usable receipts reserve	4,105	6,774
- Revenue and reserves	11,441	12,006
- Grants	15	52
Depreciation adjustment	820	(2,147)
Write down of deferred capital contributions	320	253
Capital contributions for deferred charges	2,502	751
Write down of deferred charges	(3,465)	(1,937)
Write down of de-minimis capital expenditure	(321)	(525)
Transfer to Major Repairs Reserve	(6,776)	(8,362)
<b>Balance as at 31 March</b>	<b>112,617</b>	<b>103,976</b>

## 51 Usable Capital Receipts

This is the balance of capital receipts which remain available to meet capital expenditure after a proportion (in accordance with Government regulations) has been reserved to meet future debt repayments.

(£000s)	2006/07	2005/06
<b>Balance as at 1 April</b>	<b>21,878</b>	<b>19,118</b>
2006/07 Capital Receipts	9,955	12,298
Housing Pooled Capital Receipts	(4,536)	(2,764)
Transferred to Capital Financing Account to finance new expenditure	(4,105)	(6,774)
<b>Balance as at 31 March</b>	<b>23,192</b>	<b>21,878</b>



## Revenue Reserves

### 52 Pensions Reserve

The amount chargeable to the General Fund for providing pensions for employees is the amount payable for the year in accordance with statutory requirements. The difference between this and the amount charged to the Income and Expenditure Account for the year is taken to the pensions reserve. Further details of pension assets and liabilities are included in the statement of Pension Costs, Assets and Liabilities starting on page 33.

(£000s)	2006/07	2005/06
<b>Balance as at 1 April</b>	<b>44,048</b>	<b>39,529</b>
Deficit for the year	(8,376)	4,519
<b>Balance as at 31 March</b>	<b>35,672</b>	<b>44,048</b>

### 53 Specific Reserves

These are reserves set aside or earmarked for specific purposes. The total at 31 March 2007 was made up as follows:-

(£000s)	Balance at 1 April	Gains or losses for the period	Amount transferred to or from other reserves	Use of Major Repairs Reserve	Balance at 31 March
Asset Repair and Renewal reserves	(10,845)	(1,374)	44	0	(12,175)
Major Repairs Reserve	(719)	0	0	719	0
Insurance Fund	(550)	152	0	0	(398)
Efficiency Fund	(172)	0	0	0	(172)
Technology Investment Fund	(1,121)	251	(24)	0	(894)
Shared Ownership Reserve	(300)	0	0	0	(300)
Commutation Adjustment	(887)	0	0	0	(887)
Local Plan Review Reserve	(405)	675	(300)	0	(30)
Compulsory Purchase Order Compensation Reserve	(321)	(14)	0	0	(335)
Major Planning Appeals Reserve	0	(533)	300	0	(233)
Revenue Contributions to Capital Reserve	0	(545)		0	(545)
Other Reserves	(1,012)	9	(20)	0	(1,023)
<b>Total</b>	<b>(16,332)</b>	<b>(1,379)</b>	<b>0</b>	<b>719</b>	<b>(16,992)</b>

**Asset Repair & Renewal Reserves** are maintained to fund the periodic replacement of assets such as vehicles, plant and equipment and for major repairs to Council owned premises. Annual contributions are based on estimated replacement and repair costs, spread over the anticipated life of assets.

The **Major Repairs Reserve** is maintained to contribute towards the funding for major repairs to Council houses.

The **Insurance Fund** is maintained to provide cover for potential damage to Council assets and other losses, where it is deemed cost effective for the Council to self-insure rather than take out external insurance with a third party.

The **Efficiency Fund** was set up to meet the initial costs of efficiency measures that will, in the longer term, save the Council costs and/or improve the efficiency of services.

The **Technology Investment Fund** was set up to contribute towards the costs of investment in Information Technology systems and infrastructure.

The **Shared Ownership Reserve** provides funding for the purchase back by the Council of equity in shared ownership houses.

The **Commutation Adjustment Reserve** is available to assist the financing of any amount required to be set aside from revenue for debt repayment.

The **Local Plan Review Reserve** was established to provide for the potential costs of public enquiries into the Local Plan.

A **Compulsory Purchase Order Compensation Reserve** is held to meet claims for compensation following the compulsory purchase by the Council of domestic properties in order to bring them back into use.

The **Major Planning Appeals Reserve** is held against the possibility of major planning appeals in the City.

The **Revenue Contributions to Capital Reserve** contains contributions to capital expenditure which have been agreed but not yet spent.

**Other Reserves includes:**

- Accumulated surpluses from Building Control activities held for future investment in this service
- Sums set aside for the award of Historic Buildings Act grants
- Sums set aside to meet the costs of community development projects
- Sums set aside for improvements to the Council's property holding to assist lettings

## 54 General Fund Reserves

General Fund Reserves provide a working balance needed to finance expenditure in advance of income received from services, Council Tax and grant and to meet unexpected costs. Any excess may be used, at the discretion of the Council, to support the revenue budget and/or finance capital projects.

(£000s)	2006/07	2005/06
<b>Balance as at 1 April</b>	<b>(10,858)</b>	<b>(12,009)</b>
(Surplus)/Deficit for the year	(1,461)	1,151
<b>Balance as at 31 March</b>	<b>(12,319)</b>	<b>(10,858)</b>

## 55 HRA Reserves

Housing Revenue Account reserves provide a working balance and in addition may be used to support the revenue or capital spending of the HRA.

(£000s)	2006/07	2005/06
<b>Balance as at 1 April</b>	<b>(7,330)</b>	<b>(7,325)</b>
Deficit/(Surplus) for the year	627	(5)
<b>Balance as at 31 March</b>	<b>(6,703)</b>	<b>(7,330)</b>

## 56 Analysis of Net Funds Employed

(£000s)	31 March 2007	31 March 2006 (Restated)
General Fund	157,637	132,684
Housing Revenue Account	621,462	570,654
<b>Total</b>	<b>779,099</b>	<b>703,338</b>

## Notes to the Cash Flow Statement

### 57 Analysis of Government Grants

(£000s)	2006/07	2005/06
Housing & Council Tax Benefit	(31,489)	(29,315)
Revenue Support Grant	(1,914)	(7,711)
Supporting People	(963)	(1,026)
Implementing Electronic Government	0	(150)
Community Safety	0	(219)
Homeless & Rough Sleepers	(419)	(362)
Waste Collection	0	(18)
Planning Delivery	(458)	(350)
Local Authority Business Growth Incentive	(1,536)	(481)
Choice Based Lettings	0	(181)
Other Government Grants	(12)	(99)
<b>Total</b>	<b>(36,791)</b>	<b>(39,912)</b>

### 58 Reconciliation of Net Deficit on the Income and Expenditure Account to the Movement in Cash

(£000s)	2006/07	2005/06 (Restated)
<b>Deficit/(Surplus) for the year</b>	<b>3,472</b>	<b>4,436</b>
Collection Fund surplus	15	(670)
<b>Non-Cash Transactions</b>		
Depreciation and impairment	(5,956)	(10,508)
Loss on disposal of assets	(2,582)	0
Movement in provisions	(332)	17
Government grants deferred	320	253
FRS17 adjustments	(2,369)	(1,972)
Write down of deferred charges and de minimis capital expenditure	(3,786)	(2,462)
Capital contributions for deferred charges	2,502	751
Other non-cash transactions	1,200	(786)
<b>Other adjustments</b>		
Investment income	3,338	3,017
Interest payable and similar charges	(616)	(614)
<b>Cash movements</b>		
(Decrease) in stocks and WIP	(67)	(104)
(Decrease) in debtors	(526)	(187)
(Increase) in creditors and receipts in advance	(1,427)	(3,518)
<b>Net cash flow from revenue activities</b>	<b>(6,814)</b>	<b>(12,347)</b>

## 59 Analysis of Changes in Management of Liquid Resources & Financing

(£000s)	Balance 31 March 2007	Balance 31 March 2006	Written off during the year	Cash Movement In Year
<b>Management of Liquid Resources</b>				
Short Term Investments	73,740	71,710	0	2,030
<b>Financing</b>				
<b>Repayment of Borrowing</b>				
Local Bonds	0	(15)	13	2
Net Repayment of Temporary Loans	(1,430)	(1,431)	0	1
<b>Increase in Liquid Resources</b>	<b>72,310</b>	<b>70,264</b>	<b>13</b>	<b>2,033</b>

## 60 Liquid Resources

These comprise of funds invested either overnight or on a short term basis of up to one year. During the year the Council updated its approved lending list.

(£000s)	2006/07	2005/06
Value of surplus funds invested during the year	800,753	664,120
Investments repaid during the year	(798,723)	(652,800)
<b>Net increase in investments</b>	<b>2,030</b>	<b>11,320</b>

## 61 Movement in Cash

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts.

(£'000s)	Balance 31 March 2007	Balance 31 March 2006	Movement in Year
Cash in hand/at Bank	12	190	(178)
Bank overdraft	(580)	0	(580)
<b>Increase/(decrease) in cash</b>	<b>(568)</b>	<b>190</b>	<b>(758)</b>

**62 Reconciliation of net cash flow to movement in net funds**

(£000s)	Balance 31 March 2007	Balance 31 March 2006	Written off in year	Movement in Year
Cash	(568)	190	0	(758)
Borrowing	(1,430)	(1,446)	13	3
Short Term Investments	73,740	71,710	0	2,030
<b>Total</b>	<b>71,742</b>	<b>70,454</b>	<b>13</b>	<b>1,275</b>

Additional Financial Statements and Information







## Housing Revenue Account Income and Expenditure Account

This statement sets out details of the income and expenditure in relation to the provision of Council dwellings.

£000s	Note	2006/07	2005/06 (Restated)
<b>Income</b>			
Gross rent - dwellings	2	(24,720)	(23,908)
Gross rent – garages/land		(1,071)	(1,054)
Charges for services and facilities		(1,707)	(1,705)
Contributions towards expenditure		(405)	(389)
<b>Total</b>		<b>(27,903)</b>	<b>(27,056)</b>
<b>Expenditure</b>			
Repairs & maintenance		5,705	5,695
Supervision & management		6,190	5,709
Rents, rates, taxes and other charges		198	137
Depreciation		6,776	8,362
Negative Housing Revenue Account Subsidy	3	8,616	7,852
Increased provision for bad debts		113	205
Sums directed by the Secretary of State	4	0	318
<b>Total</b>		<b>27,598</b>	<b>28,278</b>
<b>(Surplus)/net cost of HRA services</b>		<b>(305)</b>	<b>1,222</b>
<b>HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account</b>			
Loss on sale of HRA fixed assets		2,522	0
Interest payable and similar charges		0	0
Amortisation of premiums and discounts		545	545
Interest and investment income		(488)	(465)
<b>Deficit for the year on HRA services</b>		<b>2,274</b>	<b>1,302</b>

## Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2006/07	2005/06
<b>Deficit for the year on the HRA Income and Expenditure Account</b>		<b>2,274</b>	<b>1,302</b>
<b>Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance :</b>			
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year</b>			
Loss on disposal of fixed assets		(2,522)	0
Net charges for retirement benefits made in accordance with FRS17		(956)	(751)
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year</b>			
Sums to be debited to the HRA that are not expenditure in accordance with UK GAAP		42	40
Employer's contributions payable to the Cambridgeshire County Council Pension Fund		408	323
Capital expenditure funded by the Housing Revenue Account	9	3,118	2,434
Transfers from Major Repairs Reserve	11	(1,853)	(3,446)
Contribution to earmarked reserves		116	93
<b>Total movement on Housing Revenue Account for the year</b>		<b>627</b>	<b>(5)</b>
<b>Housing Revenue Account balance brought forward</b>		<b>(7,330)</b>	<b>(7,325)</b>
<b>Housing Revenue Account balance carried forward</b>		<b>(6,703)</b>	<b>(7,330)</b>

## Notes to the Housing Revenue Account

### 1 Introduction

The Local Government and Housing Act 1989 set the framework within which the Housing Revenue Account (HRA) operates. The account is 'ringfenced', meaning that authorities do not have the discretion to fund any deficits from the General Fund. Transfers from the General Fund can only be made at the direction of the Secretary of State.

### 2 Gross Rent

This represents income receivable in respect of all dwellings within the HRA, gross of rent rebates and net of rents not payable when properties are empty. As at 31 March 2007, 2.19% of properties were vacant (1.65% at 31 March 2006).

The average rent payable in 2006/07 was £68.82 per week based on 48 rent weeks (£63.53 per week on a 52 week basis). The average rent payable in 2005/06 was £65.54 per week based on 48 rent weeks (£60.50 per week on a 52 week basis).

### 3 Housing Revenue Account Subsidy Payable

Following removal of rent rebates from the Housing Revenue Account to the General Fund with effect from 1 April 2004 the Council is now required to pay Housing Revenue Account Subsidy to central government to match the surplus on the notional HRA.

The Authority's HRA subsidy payable for 2006/07 was calculated as follows:

(£000s)	2006/07	2005/06
Management and maintenance	10,716	10,057
Capital charges	1,056	1,059
Admissible allowance	40	79
	<b>11,812</b>	<b>11,195</b>
Notional rent	(25,844)	(24,021)
Rental Constraint Allowance	430	0
Interest on receipts	(12)	(12)
	<b>(13,614)</b>	<b>(12,838)</b>
Major Repairs Allowance	4,923	4,916
Defects Reinstatement Loan	43	43
Defects Repurchases Loan	6	6
<b>Negative Subsidy Payable</b>	<b>(8,642)</b>	<b>(7,873)</b>
Adjustment to subsidy required in future years	26	(21)
Actual adjustment to subsidy for prior year	0	42
<b>Negative Subsidy included in HRA Summary</b>	<b>(8,616)</b>	<b>(7,852)</b>

#### 4 Sums Directed by the Secretary of State

This sum is payable to the General Fund in respect of Rent Rebate subsidy limitation transitional arrangements.

#### 5 Asset Values within the HRA and Depreciation

(£000s)	Asset Values		Depreciation	
	31 March 2007	1 April 2006	2006/07	2005/06
<b>Operational Assets</b>				
Dwellings	577,682	530,931	6,726	8,317
Other Land & Buildings	7,060	4,629	50	45
	<b>584,742</b>	<b>535,560</b>	<b>6,776</b>	<b>8,362</b>
<b>Non Operational Assets</b>	<b>4,294</b>	<b>3,569</b>	<b>0</b>	<b>0</b>
<b>Total Fixed Assets</b>	<b>589,036</b>	<b>539,129</b>	<b>6,776</b>	<b>8,362</b>

The value of council dwellings at 1 April 2006, based on vacant possession, was £1,149 million (2005/06: £1,179 million). Vacant possession value is the estimate of the total sum that would be received if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

#### 6 Loan Interest Charges

Authorities manage their debt as a whole and no separate record is kept of loans taken out for HRA purposes. However notional HRA debt is estimated by reference to a calculation called the HRA credit ceiling. The credit ceiling is a measure of net HRA indebtedness which takes account of any new borrowing taken out each year, assumed to be for HRA purposes, and the assumed repayment of existing HRA debt. The loan interest charges met by the HRA are calculated by multiplying the mid-year credit ceiling by the Council's average rate of interest for long-term borrowing.

## 7 Housing Stock

The Council was responsible for an average stock of 7,607 dwellings during the year. The stock as at 31 March 2007 was as follows:-

	31 March 2007	31 March 2006
Houses & bungalows	3,761	3,806
Flats	3,093	3,124
Sheltered housing units	670	670
Shared ownership properties	44	45
<b>Total</b>	<b>7,568</b>	<b>7,645</b>
The change in stock during the year can be summarised as follows:		
<b>Stock as at 1 April</b>	<b>7,645</b>	<b>7,733</b>
Right to buy sales	(72)	(83)
Open market disposals	(2)	0
Net shared ownership changes	(1)	0
Other changes	(2)	(5)
<b>Stock as at 31 March</b>	<b>7,568</b>	<b>7,645</b>

## 8 Rent Arrears

Rent arrears for the year ended 31 March 2007 were £1,199,632 (£1,185,519 in 2005/06) and as a proportion of gross rent income have reduced from 4.49% in 2005/06 to 4.40% in 2006/07.

At 31 March 2007 a provision for bad debts of £916,713 was held in the balance sheet (£819,285 at 31 March 2006).

## 9 Financing of Capital Expenditure within the HRA

(£000s)	2006/07	2005/06
<b>Housing</b>		
Usable Capital Receipts	3,206	3,448
Major Repairs Reserve	5,642	4,916
Revenue financing of capital	3,118	2,434
Use of earmarked reserves	64	52
<b>Total</b>	<b>12,030</b>	<b>10,850</b>

## 10 Capital Income within the HRA (Net of Capital Receipts Pooling)

(£000s)	2006/07	2005/06
Dwellings	4,463	5,701
Land	944	411
<b>Total</b>	<b>5,407</b>	<b>6,112</b>

## 11 Major Repairs Reserve

(£000s)	2006/07	2005/06
<b>Balance as at 1 April</b>	<b>719</b>	<b>719</b>
Transfer to MRR during the year	6,776	8,362
Amount transferred from MRR to HRA	(1,853)	(3,446)
HRA Capital Expenditure on housing charged to MRR	(5,642)	(4,916)
<b>Balance as at 31 March</b>	<b>0</b>	<b>719</b>

## 12 Contributions from the Pensions Reserve

The Housing Revenue Account is charged with an attributable share of current service costs in line with FRS17. The difference between this cost and employers' contributions payable is then appropriated from the pensions reserve so that the overall amount to be met from rent and Government subsidy reflects employers' contributions payable by the Council.

## 13 Restatement of the HRA

In previous years rent and service charges in respect of temporary housing, Ditchburn Place and Stanton House have been offset against expenditure and the net position included in supervision and management expenditure. These are now shown gross and an increase of £472,000 has been made to rent and service charges and supervision and management expenditure. There is no net effect on the Housing Revenue Account. Corporate Overheads of £226,000 shown separately in 2005/06 are now included as part of supervision and management expenditure.

## 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 City Council's General Fund as well as to the NNDR Pool.

(£000s)	Note	2006/07	2005/06
<b>Income and Expenditure Account</b>	1		
<b>Income</b>			
Council Tax	2	(46,392)	(43,476)
National Non-Domestic Rates	3	(69,865)	(63,176)
Reduction in Community Charge bad debt provision		(1)	(4)
Community Charge deficit transfer from General Fund		(3)	0
<b>Total income</b>		<b>(116,261)</b>	<b>(106,656)</b>
<b>Expenditure</b>			
Precepts and demands	4	46,036	42,384
Allowable costs of NNDR collection		238	236
Payment to NNDR Pool	3	69,627	62,940
Provision for non-payment of Council Tax	5	375	406
Community Charge surplus transfer to General Fund	6	0	20
<b>Total Expenditure</b>		<b>116,276</b>	<b>105,986</b>
<b>Deficit/(Surplus) for the Year</b>	6	<b>15</b>	<b>(670)</b>
<b>(Surplus) as at 1 April</b>		<b>(684)</b>	<b>(14)</b>
<b>(Surplus) as at 31 March</b>	6	<b>(669)</b>	<b>(684)</b>

## Notes to the Collection Fund

### 1 General

This statement shows the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts for income relating to Council Tax and NNDR on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of collection are accounted for in the General Fund.

### 2 Council Tax

Under the arrangements for Council Tax, each domestic property within the Council's area is assigned to one of eight 'valuation bands' (A to H) based on the estimated price it would have achieved if it had been sold at 1 April 1991. The Council Tax is set for band D properties and the tax for other bands is calculated as a proportion of the band D tax. The band D Council Tax for the year ended 31 March 2007 was set at £1,223.21, made up as follows:

(£s)	2006/07	2005/06
Cambridge City Council	142.40	136.92
Cambridgeshire County Council	888.12	845.82
Cambridgeshire Police Authority	142.29	135.54
Cambridgeshire Fire Authority	50.40	48.24
<b>Total</b>	<b>1,223.21</b>	<b>1,166.52</b>

The following table shows the calculation of the Council Tax Base for 2006/07 (used to determine the tax needed at band D to finance spending).

### Council Tax Base 2006/07

Valuation Band	Total no. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc.)	Ratio to Band D	Band D Equivalents
A	2,607	1,957	6/9	1,305
B	8,668	6,892	7/9	5,360
C	16,648	14,143	8/9	12,572
D	7,813	6,534	9/9	6,534
E	4,402	3,727	11/9	4,555
F	2,859	2,451	13/9	3,541
G	2,618	2,082	15/9	3,470
H	4,03	211	18/9	4,22
<b>Total</b>	<b>46,018</b>	<b>37,997</b>		<b>37,759</b>



The income of £46.4 million in 2006/07 was receivable from the following sources:

(£000s)	2006/07	2005/06
Billed to Council Tax payers	41,379	38,635
Transfer from General Fund		
- Council Tax benefits	5,013	4,841
<b>Total</b>	<b>46,392</b>	<b>43,476</b>

### 3 Non-Domestic Rates Income

Under the arrangements for business rates, the council collects non-domestic rates for its area, based on local rateable values multiplied by a nationally set business rate. This amount, less certain allowances and other deductions, is paid into the central NNDR Pool, which pays back to authorities a share of the pool based on a standard amount per head of population.

The local rateable value as at 31 March 2007 was £207,425,015 (£210,022,485 at 31 March 2006) and the Uniform Business Rate in 2006/07 was set by the Government at 43.3p (2005/06, 42.2p).

### 4 Precepts and Demands

(£000s)	2006/07	2005/06
Cambridge City Council	5,360	4,975
Cambridgeshire County Council	33,424	30,731
Cambridgeshire Police Authority	5,355	4,925
Cambridgeshire Fire Authority	1,897	1,753
<b>Total</b>	<b>46,036</b>	<b>42,384</b>

### 5 Provision for Non-Payment of Council Tax

A contribution of £375,589 was made to a provision for bad debts. During 2006/07, £5,161 of irrecoverable debts were written off (2005/06 £111,629).

### 6 Collection Fund Surpluses and Deficits

When Council Tax was introduced on 1 April 1993, it was a requirement that the deficit on the Collection Fund of £2,665,751 in respect of the old Community Charges, be received in subsequent years through debt collection and if necessary, by contributions from the Council's General Fund. In the case of a surplus, this is transferred to the Council's General Fund.

In 2006/07 the Community Charge element of the Collection Fund was in deficit at the start of the year and a transfer from the General Fund of £2,898 was made to the fund. There was no balance on the Collection Fund relating to Community Charge at 31 March 2007 (£4,685 deficit at 31 March 2006).

The surplus of £669,133 at 31 March 2007 (£688,549 surplus at 31 March 2006), which related to Council Tax, will be distributed in subsequent financial years to

Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

The total Collection Fund surplus is therefore shared as follows:

<b>(£000s)</b>	<b>31 March 2007</b>	<b>31 March 2006</b>
Cambridge City Council	(78)	(76)
Cambridgeshire County Council	(486)	(500)
Cambridgeshire Police Authority	(78)	(28)
Cambridgeshire Fire Authority	(27)	(80)
<b>Total</b>	<b>(669)</b>	<b>(684)</b>

# Statement of Accounting Policies and Glossary of Financial Terms and Abbreviations





## Statement of Accounting Policies

### 1 General

The general principles adopted in compiling the accounts and the presentation of the accounts, are those recommended in the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice on Local Authority Accounting. The accounts also reflect guidance issued by CIPFA on the application of statements of standard accounting practice (SSAPs) and financial reporting standards (FRSs). Any variations from these guidelines are detailed in notes to the accounts.

### 2 Fixed Assets

Expenditure on fixed assets is capitalised, provided that the asset yields benefits to the Council for a period of more than one year. All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis.

A de-minimus level of £2,000 has been adopted for vehicles and £15,000 for all other fixed assets. Assets which cost less than these limits are classified as revenue rather than capital expenditure.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with guidance issued by the Royal Institution of Chartered Surveyors. Fixed assets are classified and are valued on the following basis:

- ◆ Land and non-specialised operational properties are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use and for specialist operational properties, depreciated replacement cost;
- ◆ Short life operational assets, such as vehicles, plant and equipment, are included at historical cost less depreciation as a proxy for the lower of net current replacement cost and net realisable value in existing use. The absence of significant surpluses or deficits on disposal of these assets indicates that the policy has no material impact on the accounts.
- ◆ Council dwellings are included in the balance sheet at existing use value for social housing arrived at by means of a beacon approach;
- ◆ Investment properties and assets that are surplus to requirements, are included in the balance sheet at estimated open market value;
- ◆ Assets under construction are held at historical cost until they are brought into commission; and
- ◆ Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation where appropriate.

Revaluations of operation and non-operational fixed assets are planned on the basis of a 5-year rolling programme, although material changes to asset valuations will be reflected as they occur. Any surpluses arising on initial and subsequent valuation of assets are credited to the fixed asset restatement reserve.

Assets acquired under finance leases are also capitalised in the Council's accounts, together with the liability to pay future rentals. Other assets previously acquired under advance and deferred purchase schemes are also recognised and included in the balance sheet at their fair value.

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

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Usable 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 appropriated to the Reserve are included in the Statement of Movement on the General Fund Balance.

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

### **3 Impairment**

Impairment is a reduction in asset value brought about by a change in events and circumstances such as:

- ◆ a significant decline in a fixed asset's market value during the year;
- ◆ evidence of obsolescence or physical damage to the fixed asset;
- ◆ a significant adverse change in the statutory or regulatory environment in which the Council operates; and
- ◆ a commitment by the Council to undertake a significant reorganisation.

### **4 Depreciation**

Assets are depreciated over their useful economic life. Depreciation is provided on all fixed assets other than freehold land and non-operational investment properties and is calculated on the balance sheet value as at 1 April. Depreciation is not provided for in the year of purchase, however, a full years depreciation is accounted for in the year of disposal. Where we provide for depreciation, it is calculated using the straight-line method.

For assets where the useful life is assessed as being more than 50 years, an impairment review is carried out at the end of each financial year and the value of any impairment is charged in place of depreciation.

### **5 Deferred Charges**

Deferred charges represent expenditure which is capital in nature but where no tangible fixed asset is created, for example capital grants made to other bodies or individuals. Deferred charges are written off over the period of benefit to the Council.

## 6 Intangible fixed assets

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

## 7 Government Grants and Contributions

Government grants are accounted for on an accruals basis and income is credited, in the case of revenue grants, to the appropriate revenue account.

Where developers' contributions remain unspent at the year end they are held in the balance sheet.

Contributions in respect of commuted sum maintenance agreements are held as Receipts in Advance. They are credited to the Income and Expenditure Account to match expenditure incurred.

Where a developers agreement (Section 106) provides for the return of contributions made if capital projects are not carried out within a specified period, any advances are held as creditors until the Council is able to satisfy the conditions for keeping the money, usually on commencement of a project or payment of the sum to another body, for example the County Council.

All other unspent contributions are held in the balance sheet as Capital Contributions Unapplied.

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

## 8 Leases

Rental payments under finance leases are apportioned between the finance charge (interest) and the principal element. The finance element of rentals is charged to the asset management revenue account over the term of the lease and the principal element is treated as capital expenditure.

Rentals payable or receivable under operating leases are charged to revenue on an accruals basis.

Rentals receivable from operating leases are credited to revenue on a straight line basis over the term of the lease.

## 9 Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. No significant estimates have been included in debtors and creditors.

Provision is made to cover potential losses in collection of income due to the Council. The level of provisions made for bad debts take into account the nature, value and age of debts. Debtors amounts presented in the Balance Sheet are shown net of provision for bad debts.

### 10 Stocks and Works in Progress

Stocks and Work in Progress held at the year-end are included in the accounts at the lower of cost or net realisable value.

### 11 Provision and Contingent Liabilities

The Council sets aside provisions for specific future expenses, which are likely or certain to be incurred and which can be reliably estimated, for example to meet the Council's share of the cost of insurance claims.

If a liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated, the liability is disclosed as a contingent liability.

### 12 Cost of Support Services

Most of the costs of management and administration have been allocated to services. The basis of allocation used for the main management and administration costs is outlined below:

	<b>Basis of Allocation</b>
<b>Support Services</b>	
Finance	Charges are negotiated in advance with client departments. They are based on a combination of estimated or actual staff time, directly attributable costs and volumes of work.
Reception & Office Services	
Legal	
Human Resources	
Property	
<b>Administrative Buildings</b>	Area Occupied
<b>Computing</b>	Fixed cost element based on predicted consumption of resources plus actual cost of additional work undertaken.

### 13 Reserves

In addition to General fund and HRA balances, which are held for cash flow purposes and to support future revenue and capital spending, the Council maintains a number of 'earmarked' reserves to meet specific future expenditure. Details of the Council's reserves can be found in the accompanying notes 52 to 55.

### 14 Investments

Investments are shown in the Balance sheet at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the income and Expenditure Account if this is unlikely to be a temporary fall. Further detail can be found in note 28 to the Balance Sheet.



## 15 Pension Costs, Assets & Liabilities

Cambridgeshire County Council administers the Local Government Pension Scheme in which Cambridge City Council employees may participate. The accounting policy is to recognise the full liability that the Council has for meeting the future cost of retirement benefits (arising from years of service earned by employees up to the balance sheet date) net of the contributions paid into the fund and the investment income they have generated.

Charges to service revenue accounts are based on an appropriate share of current service cost (the increase in future benefits arising from service earned in the current year). Discretionary benefits awarded on early retirement are recognised as they become payable.

Interest cost and expected return on assets are included within the Income and Expenditure Account, increasing Net Operating Expenditure. However, an appropriation to the pensions reserve replaces these entries with the actual employer's contributions paid in the year, meaning that there is no net effect on the General Fund result for the year.

## Glossary of Financial Terms and Abbreviations

### Accounting Period

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

### 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.

### Capital Charges

Charges made to service revenue accounts based on the value of the assets they use and comprising interest and any depreciation.

### Capital Expenditure

Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

### Capital Receipt

Income from the sale of capital assets such as council houses, land or other buildings.

### Contingent Liabilities

Potential liabilities which are either dependent on a future event or cannot be reliably estimated.

### 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 to the Council which are collectable or outstanding at 31 March.

### Deferred Charges

Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

### **Depreciation**

The estimated losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Fixed Asset**

Assets which can be expected to be of use or benefit the Council in providing its service for more than one accounting period.

### **Government Grants**

Payments by central government towards local authority expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

### **Operating Lease**

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

### **Precepts**

The amount which a local authority which cannot levy a council tax directly on the public (for example a County Council) requires to be collected on its behalf.

### **Provisions**

Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

### **Reserves**

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

### **Revenue Expenditure**

Spending on day to day items including employees' pay, premises costs and supplies and services.

### **Revenue Support Grant**

The main grant paid by central government to a local authority towards the costs of its services.

## Abbreviations used in the accounts

<b>CIPFA</b>	<b>Chartered Institute of Public Finance and Accountancy</b>
<b>DSO</b>	<b>Direct Services Organisation</b>
<b>GAAP</b>	<b>Generally Accepted Accounting Practice</b>
<b>FRS</b>	<b>Financial Reporting Standard</b>
<b>HRA</b>	<b>Housing Revenue Account</b>
<b>LGPS</b>	<b>Local Government Pension Scheme</b>
<b>MRA</b>	<b>Major Repairs Allowance</b>
<b>MRP</b>	<b>Minimum Revenue Provision</b>
<b>NNDR</b>	<b>National Non-Domestic Rates</b>
<b>SOLACE</b>	<b>Society of Local Authority Chief Executives</b>
<b>SORP</b>	<b>Statement of Recommended Practice</b>
<b>SSAP</b>	<b>Statement of Standing Accounting Practice</b>



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