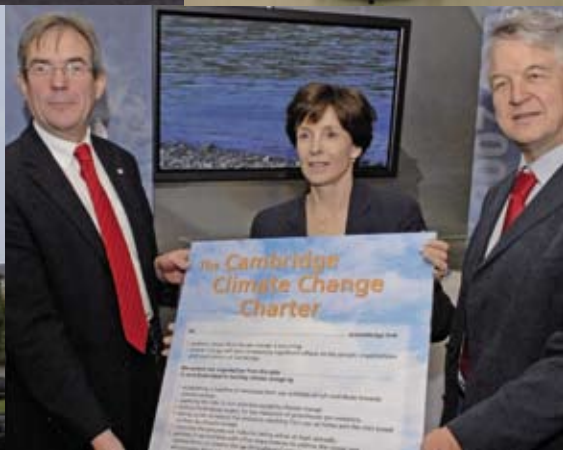


Annual Report & Statement of Accounts

for the year ending 31st March 2008



This document is available on our website at www.cambridge.gov.uk

Cambridge City Council Annual Report & Statement of Accounts 2007/08

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Annual Report

Who we are and what we do

Cambridge City Council is one of five district councils which, together with Cambridgeshire County Council and Peterborough City Council, provide services to the people of Cambridgeshire.

The City Council serves a population of 120,000 residents in an almost entirely urban area. As part of the 'London-Stansted-Cambridge-Peterborough' Growth Area, that population is set to increase considerably, however. The City has been set a target for at least 19,000 new homes between 2001 and 2021, based on the Government's announcement in May 2008 of the new Regional Spatial Strategy. These new homes are planned mainly for sites on the southern, north west and eastern fringes of Cambridge. The City Council is working closely with Cambridgeshire Horizons and other local authorities and agencies to ensure a coherent and comprehensive approach to the creation of sustainable communities.

The Council employs around 1,250 full and part-time staff providing a wide range of services for residents, local businesses, commuters and visitors to the City. We work hard to ensure that we provide value for money in all of the services we provide. The main services we deliver include:

- ◆ Keeping the streets and public open spaces clean
- ◆ Championing recycling and emptying refuse and recycling bins
- ◆ Providing a range of leisure facilities including swimming pools and community centres and providing entertainment in parks and in the Corn Exchange
- ◆ Offering planning advice, progressing planning applications and making sure new buildings and alterations are safe
- ◆ Monitoring and enforcing food and drink hygiene standards together with the control of pests, diseases, noise and air pollution
- ◆ Licensing food premises, street traders and entertainment venues
- ◆ Managing council-run car parks
- ◆ Organising elections and managing the electoral register
- ◆ Providing housing advice and support and working with partners to meet peoples housing needs
- ◆ Providing and maintaining over 7,400 council dwellings
- ◆ Processing housing benefit and council tax benefit applications
- ◆ Promoting long-term policies which encourage sustainability

Council Structure

Cambridge residents elect 42 councillors across 14 wards in the City. The full Council meets formally at least five times a year. Its main function is to approve the Council's most significant policies and its budget framework. In February each year the Council sets the level of Council Tax for the coming financial year.

During the 2007-08 financial year the Liberal Democrats, led by Councillor Ian Nimmo-Smith, were the leading group with 28 councillors.

The Executive

The Executive comprises the Leader of the Council and six executive councillors. The Leader and each executive councillor has responsibility for a specific portfolio of services. The portfolios are currently:

- ◆ Arts and recreation
- ◆ Climate change and growth
- ◆ Community development and health
- ◆ Customer services and resources
- ◆ Environmental and waste services
- ◆ Housing, and
- ◆ Strategy

These councillors can make decisions individually, usually at a meeting of a scrutiny committee relevant to their executive area. The appropriate scrutiny committee examines and comments on recommendations relating to key decisions before the executive councillor makes the final decision. The Executive also meet once a year to determine the overall budget to be recommended to Council.

Regulatory Committees

Regulatory Committees make decisions that are not allowed by law to be made by an executive councillor alone. These include civic affairs, licensing, planning and standards.

Area Committees

Area committees cover four geographical areas – north, south, east and west/central.

Their purpose is to move decision-making out into the community and to make it easier for people to have a say about decisions that affect them locally.

The Councils Objectives, Performance and Plans

The Council has set itself four key Medium-Term Objectives which determine how we prioritise our resources. These include taking steps to reduce the carbon footprint of the City, increasing our recycling rate, making sure that people have a positive experience in their dealings with the City Council, doing what we can to improve the health and safety of people in the City, ensuring that the City and its neighbourhoods thrive and that the growth of the City does not happen to the detriment of the quality of life of its residents.

So how are we performing against each of these objectives, what have we achieved and what are our plans for 2008/09?

1

To promote Cambridge as a sustainable city, in particular by reducing carbon dioxide emissions and the amount of waste going into landfill in the City and sub-region.

During 2007/08 we:

- ◆ Increased overall recycling rates in Cambridge once again from 29.5% in 2004/05, 35.2% in 2005/06, and 40% in 2006/07 up to 41.5% in 2007/08.
- ◆ Achieved our target to improve the energy efficiency of Local Authority owned dwellings.

- ◆ Led the development of the Cambridge Climate Change Charter. The charter was launched in October 2007 at the British Antarctic Survey with the involvement of over 70 leaders from schools, universities, businesses, community groups and the public sector.



- ◆ Launched the new rechargeable electric "Mega" van, the first truly green council vehicle to operate within the city centre.
- ◆ Fitted energy saving bulbs to all lighting on stairways and communal passages in the Council's own housing stock.

- ◆ Expanded our recycling services to include a further 63 sites, including more flats and colleges.
- ◆ Established recycling facilities for dry-cell batteries and Tetrapaks



Our plans for 2008/09 include:

- ◆ Ensuring that new developments of more than 10 houses or 1,000 square metres provide at least 10% of their energy requirements from renewable energy sources where this is possible.
- ◆ Continuing to investigate different types of renewable energy technologies, including a trial with a wind turbine, to see if they could be used in the Council's housing stock.
- ◆ Continuing with works to improve the standard of the Council's housing stock, including improving insulation and energy efficiency, treating problem cold and damp rooms and renewing old bathrooms, kitchens and boilers.
- ◆ Advising elderly and low-income residents about how to make their homes more energy efficient, and offering grants and loans towards improved insulation, efficient boilers and central heating.
- ◆ Exploring options for recycling litter collected in the streets.
- ◆ Encouraging bus companies to provide better bus services in the city on Sundays.
- ◆ Extending the car club into further locations and introducing low carbon vehicles

2

To ensure that residents and other service users have an entirely positive experience of dealing with the Council

During 2007/08 we:

- ◆ Reduced the average time taken to re-let local authority housing by 7.8 days compared to 2006/07.
- ◆ Saw a 24% drop in the number of complaints sent to the Council compared to 2006/07.
- ◆ Exceeded our targets for collection of Council Tax and Business Rates, achieving 97.5% and 99.7% respectively.

- ◆ Reached our 2009/10 target for representation of disabled staff within the top 5% of earners at the Council.
- ◆ Improved our ranking in the Stonewall Index, rising to 16th place for our work, as an employer, in the field of lesbian, gay, bi-sexual and trans-sexual (LGBT) issues. This makes us the highest placed district council in the country.
- ◆ Set up a forum of Residents Associations to improve residents' understanding of the planning process and a new forum for planning and construction professionals who work with us in the planning process.
- ◆ Helped the police to implement neighbourhood policing in the City hosted through the Council's area committees.
- ◆ Launched 'Home-Link', a lettings Scheme which allows those wanting subsidised public housing to make choices on the basis of much better information.



- ◆ Continued the development of the Customer Service Centre located at Mandela House ready for the opening in April 2008.

Our plans for 2008/09 include:

- ◆ Opening the new Customer Service Centre at Mandela House and providing, in phases, improved access to council services by phone and in person.
- ◆ Enabling all planning application documents and drawings to be viewed and commented upon on-line.
- ◆ Progressing the development of a new Visitor Centre for Cambridge.
- ◆ Relaunching the Neighbourhood Links programme of volunteers who will work with council officers to agree priorities for cleaning and maintaining streets and open spaces.
- ◆ Encouraging people with learning disabilities to become involved in politics and to vote by working with the 'Promote the Vote' project.
- ◆ Consulting local people on how Jesus Green should be used and improved as a local facility without adversely affecting its unique character.
- ◆ Developing our services to the homeless by promoting 'having something meaningful to do' as an important way of helping people to have greater control over their lives.

3 To maintain a healthy, safe and enjoyable city for all, with thriving and viable neighbourhoods

During 2007/08 we:

- ◆ Saw a 19.5% drop in the number of domestic burglaries per 1,000 households in the City.
- ◆ Saw a 28% increase in the number of school pupils visiting museums and galleries in the City.
- ◆ Provided a new bus for the DEC youth project.
- ◆ Won a £200,000 Big Lottery bid for funding of a 3-year programme of children's play projects.
- ◆ Provided Safer City grants to schemes that encourage young people to take part in sport and divert them from involvement in anti-social behaviour.
- ◆ Refurbished Histon Road recreation ground and the outdoor learner pool at Sheep's Green.



- ◆ Conducted a successful experiment on restricting verge parking in Perne Road and Mowbray Road.
- ◆ Introduced a car club in four locations in the City: Queen Anne Terrace and Park Street car parks, Adam and Eve Street and Great Eastern Street.
- ◆ Launched a cycle-shopping-trailer scheme in conjunction with Waitrose to encourage people to cycle to the store and take their shopping home safely.

Our plans for 2008/09 include:

- ◆ Using the Big Lottery award to provide Urban Adventure play opportunities, including a Playboat to enable children to experience play activities on or near the river.
- ◆ Working with partners to provide safe activities and meeting places for teenagers.

- ◆ Replacing the Astroturf at Abbey Pool and improving the swimming pool changing facilities.
- ◆ Refurbishing the children's play area in Thorpe Way installing a new multiple use games area and BMX track and installing a multiple use games area at Nightingale Avenue.
- ◆ Working with partner organisations and community links to reduce child obesity in the city.
- ◆ Supporting projects in the city that educate people about the safe and appropriate use of alcohol.

4

To lead the growth of Cambridge to achieve attractive, sustainable new neighbourhoods, including affordable housing, close to a good range of facilities, and supported by transport networks so that people can opt not to use the car

During 2007/08 we:

- ◆ Adopted an Affordable Housing Supplementary Planning Document, requiring 40% affordable housing and a new approach to placing socially rented homes alongside market homes in new developments.
- ◆ Achieved government endorsement of the Cambridge East Area Action Plan, which will result in the development 12,000 new homes.
- ◆ Adopted a Sustainable Design and Construction Supplementary Planning Document that sets out high standards for developers including things such as sustainable urban drainage, air quality and waste and recycling provision.
- ◆ Gave outline planning permission to developers, with County and South Cambridgeshire District Councils, for the development of Trumpington Meadows.
- ◆ Successfully steered the massive rebuilding of the shopping areas in the historic city centre, including the Grand Arcade and Christ's Lane developments.



Our plans for 2008/09 include:

- ◆ Adopting and promoting a Quality Charter for Growth in the Cambridge area that sets out a joint vision for the quality of the built environment in the area.
- ◆ Launching a new website that sets out clearly the growth plans for the City.
- ◆ Preparing a high quality residential development at Council owned land at Clay Farm.
- ◆ Working with the County Council to achieve well-designed and sustainable new schools in the new developments.
- ◆ Adopting a new Planning Obligation Strategy that builds on our success in negotiating strong S106 contributions from the new developments.
- ◆ Preparing the master plan for Cambridge East with the developer.
- ◆ Working to influence the development of the County Council's transport plans through the Joint Transport Forum.
- ◆ Reviewing local cycling policies with cycling groups with a view to producing and promoting a code of conduct for cyclists.

How do we compare?

Information that enables us to compare our performance against that of other district councils is not yet available for 2007-08.

However, in the three years to 31 March 2007 the City Council improved its performance against 73% of the performance indicators against which our performance is measured by Government and the Audit Commission. This ranked us at 17th out of 288 authorities.

In 2006-07 performance against 32% of our indicators was at the level of the best 25% of district councils in the country.

Waste minimisation and recycling is a priority for the Council and this is a service area where we are performing well compared with other district councils.

Indicator	Our performance in 2006-07	Bottom 25%	Median	Top 25%	Our performance in 2007-08
Kg of household waste collected pre head	374.5	445.0	411.3	381.9	385.0
Recycling and composting rate (%)	39.63	24.43	29.86	36.96	41.52

We are also performing well on the time it takes us to process housing benefit claims and the collection of business rates.

Indicator	Our performance in 2006-07	Bottom 25%	Median	Top 25%	Our performance in 2007-08
Average time taken to process new claims (days)	24	34	29	25	22
Average time taken to process change of circumstances (days)	8	16	11	8	8
Percentage of Business Rates collected	99.6	98.44	98.97	99.3	99.7

Areas where we are performing less well include the time we take to process planning applications and the satisfaction of planning applicants with the planning service. The considerable demands of the growth of the City on our planning resources mean that improving our performance will be a significant challenge in the medium term and achieving stability at current levels of performance may be a more realistic aim.

What do residents say about our services?

In the autumn of 2007 the Council surveyed 1,100 citizens to discover their views about Council services and issues facing the city. A separate sample of 200 Black and Minority Ethnic (BME) citizens were asked the same questions so that their views could be compared with those of the wider community and any differences identified.

Survey respondents told us that they thought the most important services the council provided were:

- ◆ Recycling (99%)
- ◆ Refuse (99%)
- ◆ Street-cleaning (99%)
- ◆ Hygiene in restaurants and food shops (96%)
- ◆ Parks and open spaces (95%)

and that the services they were most satisfied with were:

- ◆ Recycling (83%)
- ◆ Refuse Collection (80%)
- ◆ Parks and open spaces (80%)

Lowest levels of satisfaction were with

- ◆ Council Housing waiting list (22%)
- ◆ Private sector housing advice (23%)
- ◆ Letting small commercial and industrial properties to local businesses (26%)

however, these are all services that were used by relatively few respondents and most did not express a view one way or another.

The most important local issues for respondents were:

- ◆ Traffic problems (44%)

- ◆ Litter/cleanliness/Bins (23%)
- ◆ Crime/Policing (21%)

and this was reflected in the service areas that respondents felt should be improved and be priorities for spending. The main issues for the BME community were the same as those for other citizens.

We also asked respondents about their overall satisfaction with the Council.

65% said that they were 'fairly' or 'very' satisfied with the way the Council runs things with only 13% saying they are dissatisfied. Satisfaction levels amongst the BME community were slightly lower at 59% but only 6% said they were dissatisfied.

When asked about the extent to which they agreed with a number of statements about the Council respondents agreed that we were;

- ◆ Easy to contact (89%)
- ◆ Accessible to the public (85%)
- ◆ Care about the environment (83%)
- ◆ Work in partnership with other organisations (80%)

but only 48% of respondents agreed that we consulted residents before making decisions and 49% that we took residents views into account when making decisions. At a time of considerable growth and change in the City we recognise that consulting people and keeping them informed about the changes that will affect their lives is important and this will be a key area for improvement in 2008-09.

How to find out more

Further information about the Council's performance and the Council's priorities for 2008-09 is available from our Best Value Performance Plan 2008 which is available on the Council's website at <http://www.cambridge.gov.uk>

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. 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.

Annual Governance Statement

Scope of responsibility

Cambridge City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cambridge City 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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cambridge City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.cambridge.gov.uk or can be obtained from the Director of Customer & Democratic Services, The Guildhall, Cambridge. This statement explains how Cambridge City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Cambridge City Council for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts.

The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements include:

- ◆ The Council's Medium Term Objectives (MTOs), which focus the Council's efforts in achieving the vision for Cambridge.

- ◆ The Local Strategic Partnership's Sustainable Community Strategy which sets out the vision for the City and a set of priorities for delivering improvements in the quality of life for Cambridge's residents.
- ◆ The Cambridgeshire Sustainable Community Strategy, which develops the local community strategies of the five district Sustainable Community Strategies into a set of countywide priorities.
- ◆ The Cambridgeshire Local Area Agreement (LAA), which sets out the targets agreed with government to be achieved in relation to those countywide priorities.
- ◆ The annual service planning process which translates the Council's MTOs into actions at service level.
- ◆ The revised Local Code of Corporate Governance which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.
- ◆ The Performance Management process which reviews and reports on performance against the Council's MTOs.
- ◆ The Best Value Performance Plan (BVPP), which links the Council's objectives to the relevant performance indicators and targets and measures progress.
- ◆ The Corporate Improvement Plan, which sets out targets and actions to address specific areas of poor performance.
- ◆ The Council's Medium Term Financial Strategy, which identifies how the Council will resource its aspirations and plans for any financial risks.
- ◆ The arrangements for regular budget monitoring and reporting of significant variances to senior management.
- ◆ An independent Internal Audit function with a risk-based audit plan.
- ◆ An annual opinion of the Head of Internal Audit on the authority's internal control environment and risk management framework.
- ◆ The Council's Constitution, which sets out the decision-making process, the terms of reference for each committee and the roles and responsibilities of Members and officers.
- ◆ The Member/Officer protocol, which aids effective communication between officers and Members and clarifies their respective roles and responsibilities.
- ◆ Codes of Conduct for Members and officers, which have been formally approved, are reviewed regularly and available to all Members and staff.
- ◆ The Council's Standards Committee, which promotes and maintains high standards of conduct by Members.
- ◆ The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed annually by the Council's Standards Committee.
- ◆ A Register of Interests which is maintained and reviewed regularly.

- ◆ Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for individual Members and officers.
- ◆ A corporate Risk Management Framework which is embedded across the Council and includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.
- ◆ A regular reporting procedure which informs the Corporate Management Team and Risk Management Group on the position of risks and actions contained in the Council's risk register at five key points during the corporate planning and decision-making cycle.
- ◆ A corporate Health and Safety Policy, which has been formally approved and is available to all staff.
- ◆ The roles of the Council's Civic Affairs and Standards Committees, which fulfil the core functions of an Audit Committee as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- ◆ The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.
- ◆ The role and functions of the Council's Monitoring Officer, which are set out in the Council's Articles of the Constitution.
- ◆ Responsibilities of Civic Affairs Committee, which include 'overall responsibility for the Council's compliance with laws and regulations'.
- ◆ The Confidential Reporting ('Whistleblowing') Policy, which is in place and subject to regular review by the Council's Standards Committee.
- ◆ The Council's Complaints Procedure, which is available on the Council's website.
- ◆ The annual complaints report to Standards Committee, which analyses trends in complaints against the Council and what has been done to address them.
- ◆ Member Induction training and handbook for new Members and the Member Development Programme, which provides ongoing training for Members on various skills and more in-depth explanations of issues concerning the Council.
- ◆ The Council's Performance Review process which is undertaken annually across the Council for all staff.
- ◆ The Council's Competency Framework, which is in place for managers, and is to be rolled out to all staff during 2008/09.
- ◆ The Council's People Strategy, which sets out how the Council will recruit, reward and develop its staff to reach their full potential.
- ◆ The Citizen's Survey, which is undertaken to gauge the public's perception of Council services.

- ◆ Terms of Reference and sound governance and reporting arrangements for the Council's key partnerships.

Review of Effectiveness

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

The Council's Constitution details Directors' 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 an annual risk-based operational plan, which is agreed, annually, by the Council's Civic Affairs Committee. Members of this committee are regularly updated on the work of Internal Audit. Copies of Executive Summaries from Internal Audit reports and a Members' Internal Audit newsletter are made available to all Members.

Individual Internal Audit reports are issued directly to the relevant Director, the Director of Finance and the Leader of the Council and Executive Summaries of Internal Audit reports are circulated to the Chief Executive and the Council's Monitoring Officer to ensure that they are informed of potential areas of non-compliance with legislation. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal 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 the Council's Risk Management Group and Corporate Management Team at five key points during the Corporate Planning and Decision Making cycle through the risk management process, to assist with 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.

The Council's Standards Committee is responsible for advising on and monitoring the Members Code of Conduct and for advising the Council on the ethical aspects of the corporate governance framework.

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

Significant Governance Issues

Actions to be taken to deal with significant governance issues:

1 Issue

The new CIPFA/SOLACE Framework requires the development and maintenance of a local Code of Corporate Governance that reflects the six principles of good governance. The existing code does not fully comply with this new requirement and has therefore been reviewed and updated and is being brought to Civic Affairs Committee for approval.

Action

[Target date & Officer Responsible]

- ◆ Scrutiny of the new 'Code of Corporate Governance' by Standards Committee and adoption of the Code by Full Council.

*Director of Customer and Democratic Services
30/09/2008*

2 Issue

The current miscellaneous functions of Civic Affairs Committee refer to 'Oversight of the Council's arrangements for corporate governance and its internal control environment. This includes reviewing *Statements on Internal Control...internal controls.*'

Actions

[Target date & Officer Responsible]

- ◆ Update Constitution re: miscellaneous functions of Civic Affairs Committee to reflect changes introduced by the new framework for delivering good governance in local government.

*Head of Legal Services
30/09/2008*

3 Issue

Training has been provided to the Members of Civic Affairs Committee on their role in the governance framework and the requirements of the new AGS. This needs building on during 2008/09 to ensure the need for a '**critical review**' of the AGS, by a review body, such as an Audit Committee (or equivalent – i.e. Civic Affairs) is fulfilled. The review body should have the power to make recommendations and changes to the key processes affecting governance arrangements.

Actions

[Target date & Officer Responsible]

- ◆ Further training to be provided to Members on their role in Governance/ Risk Assurance Framework, starting with a refresher training session on the AGS and Head of Internal Audit Opinion at the June meeting of Civic Affairs Committee.

- ◆ Members' Newsletters to be circulated throughout the year to all Members to keep them up to date with key internal control and governance issues arising from the work of Internal Audit.

Head of Internal Audit
31/03/09

4 Issue

In their Annual Inspection Letter of October 2007, the Council's External Auditors raised the issue of target setting for performance indicators and recommended this as an area for improvement.

Action

[Target date & Officer Responsible]

- ◆ The process for reviewing and setting targets for PIs to be examined/ audited as part of the 2008/09 Internal Audit Plan.

Head of Internal Audit
31/12/2008

5 Issue

Managers' job descriptions have been updated to include a clause relating to 'Corporate Accountabilities', including compliance with 'relevant statutory responsibilities and applicable legislation'. Risk Management has not been included.

Action

[Target date & Officer Responsible]

- ◆ Review of standard job description for managers to include reference to Risk Management and strengthen the wording referring to compliance with legislation.

Head of Human Resources
31/07/2008

6 Issue

In their Annual Inspection Letter of October 2007, the Council's External Auditors recommended that the Council draws up a Data Quality Strategy.

Action

[Target date & Officer Responsible]

- ◆ Development of a Data Quality Strategy once the County-wide Strategy has been agreed by the LAA Board.

Best Value & Performance Manager
30/09/2008

7 Issue

Whilst the current governance and reporting arrangements for the Council's existing Partnerships are sound, the increase in partnership working and the greater emphasis being placed on this, for example in the Audit Commission's new Key Lines of Enquiry (KLOEs), means that it is timely for the Council to review its key partnership arrangements to ensure their governance and risk management arrangements are robust and clearly defined.

Action

[Target date & Officer Responsible]

- ◆ Work with Local Area Agreement (LAA) partners to review partnership arrangements across the county to ensure they are fit for purpose and to develop clear governance structures and risk management arrangements.

*Director of Customer and Democratic Services
31/10/08*

Action

[Target date & Officer Responsible]

- ◆ Review the council's own partnership arrangements in the light of the outcomes of this review to ensure membership and delegations are still appropriate and to improve Member scrutiny and performance monitoring of those partnerships.

*Director of Customer and Democratic Services
31/12/08*

8 Issue

The 2007/08 Internal Audit review of Procurement across the authority identified a number of inconsistencies in procurement practice and a number of key actions to address this situation.

Action

[Target date & Officer Responsible]

- ◆ Options for prompting Heads of Service to consider forthcoming procurements as part of the Service Planning Process to be investigated.

*Strategic Procurement Advisor
01/11/08*

9 Issue

The governance arrangements for delivering growth in Cambridgeshire have been set up between the local authorities and Cambridge Horizons. The mechanisms introduced are the first of their kind within the UK and the organisations will need to ensure that they are effective and remain fit for purpose.

Action*[Target date & Officer Responsible]*

- ◆ Co-ordinate a review of the growth governance arrangements, including risk management and decision-making, with other local authorities.

*Director of Environment & Planning**31/03/09***10 Issue**

The 2006 Housing Mock Inspection resulted in a 1 star rating and in response to this an improvement plan was drawn up. The Council is aspiring to achieve an excellent or 2 star rating from the Audit Commission Housing Inspection due to be carried out in 2008.

Action*[Target date & Officer Responsible]*

- ◆ The improvement plan following the 2006 Inspection has been reviewed and a refreshed improvement plan is to be agreed in July 2008, taking into account new requirements and best practice.

*Director of Community Services**30/09/08***11 Issue**

The City Council is committed to safeguarding and promoting the welfare of children, young people and vulnerable adults. A recent Internal Audit on the Protection of Vulnerable Adults identified that improvements in the Criminal Records Bureau (CRB) checking procedures need to be made in order to ensure the Council is fully compliant with its responsibilities in this area.

Cambridgeshire Local Safeguarding Children's Board (LSCB) is seeking assurance that Key Safeguarding Employment Standards (KSES) have been fully implemented at all local authorities.

Action*[Target date & Officer Responsible]*

- ◆ Complete the CRB action plan.

*Head of Human Resources**30/11/08***Action***[Target date & Officer Responsible]*

- ◆ Undertake an Internal Audit review of the Council's safeguarding policies against the KSES guidance.

*Head of Internal Audit**30/12/08*

12 Issue

Whilst member training is provided there is currently no central register held of Member training undertaken.

Action

[Target date & Officer Responsible]

- ◆ Consider how the Council can adapt and develop the Members Training Programme to provide support to Members in fulfilling their various roles, including maintaining a register of Member training.

*Director of Customer & Democratic Services
30/09/08*

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

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

Date:

18 August 2008

Ian Nimmo-Smith

**Rob Hammond
Chief Executive**

Date:

14 August 2008

R. Hammond

Independent Auditor's Report to the Members of Cambridge City Council

Opinion on the Financial Statements

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

This report is made solely to the members of 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 Director of Finance and auditor

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

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

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

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material

inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In my opinion:

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

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, 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 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 on 12 December 2007. 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.



Debbie Hanson
District Auditor

Date: 10th September 2008

Audit Commission
Regus House
1010 Cambourne Business Park
Cambourne
Cambridge
CB23 6DP

Introduction to the Statement of Accounts

I am pleased to introduce the Council's Statement of Accounts for 2007/08. 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 71 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 on 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 2007/08

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

- ◆ In its annual audit and inspection letter dated March 2008, 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 thirteen 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 2007/08.
- ◆ The Council continued its programme of major investment in the provision and improvement of face-to-face and telephone services to the public and the new Customer Service Centre opened to the public in April 2008. 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 continued working with the Department for Communities and Local Government, as one of six authorities nationally, 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 2007/08, the Council agreed a budget for net spending on services of £18 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 £148.81 for Band D properties, an increase of 4.9% over the previous year. The table below compares the final outturn figures with those originally budgeted.

(£000s)	Original Budget	Actual	Difference
Net General Fund Spending	17,496	16,239	(1,257)
Contribution to/(from) reserves	457	3,289	2,832
Total	17,953	19,528	1,575
Financed by:			
Government Grant	1,742	3,316	1,574
Share of NNDR	10,380	10,380	0
Council Tax	5,831	5,832	1
Total	17,953	19,528	1,575

The Council's actual net spending was £1,257,000 below the original budget. This, together with the award of a grant of £1,574,000 from central government recognising business growth in the City, led to an increased contribution to reserves from revenue of £2,832,000.

When the Council first approved its capital spending plans for 2007/08, it was agreed that £6.2 million could be funded by the use of General Fund reserves. This sum included provision of £3.6 million for the estimated Council share of investment in the Lion Yard Shopping Centre, the timing of which was uncertain. In the event, re-phasing of capital expenditure, combined with some delays in spending originally planned for 2007/08, resulted in the need to use only £2.0 million of reserves to finance capital.

The resulting net contribution to the General Fund Reserve for the year was £1,298,034. At the end of the year, the Council's General Fund Reserve stood at £13.6 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

When the Housing Revenue Account (HRA) budget for 2007/08 was agreed at the start of the financial year, it was set to deliver a sustainable HRA over the longer-term. Part of the longer-term budget strategy is to release HRA reserves over the next 7 years, down to the target level of £3 million, to support capital investment in the stock, including that required to meet the decent homes target by 2010. Initially, use of reserves of £162,000 was agreed, but this was ultimately increased to £975,000 at revised budget stage.

At outturn, the HRA reported a use of reserves of £111,572, with requests to carry forward funding of £595,240 to 2008/09, reflecting re-phasing of a number of projects. The net use of reserves, therefore, will equate to £706,812 with a net under-spending of £267,978 against the revised budget for the year.

The Housing Revenue Account reserve stood at £6.6 million at the year-end.

Capital Spending and Receipts

In 2007/08 the Council spent £19.5 million on capital projects. Of this expenditure £13.5 million was on major repairs and improvements to council dwellings. The other main areas of capital expenditure were:

- ◆ Customer Service Centre - £1.5 million
- ◆ Investment in ICT systems - £0.9 million
- ◆ Environmental improvements - £0.9 million
- ◆ Leisure and community facilities - £0.7 million
- ◆ Repairs assistance and disabled facilities grants - £0.9 million
- ◆ Vehicles and equipment - £0.4 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 £4.8 million of the total receipts of £8.9 million in the year.

External Borrowing

The Council remained debt-free at 31 March 2008.

Pension Costs

Information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented on pages 39 to 42. The Council's share of the assets and liabilities of the pension fund show an estimated liability of £26.3 million at 31 March 2008. This liability has no impact on the level of the Council's available reserves.

Changes in Accounting Policy

In line with the SORP 2007 and related CIPFA guidance, the Council has changed a number of Accounting Policies. The impact of these changes is detailed in Note 39 to the Accounts, starting on page 34.

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 2008 and its income and expenditure for the year then ended.



David Horspool
Director of Finance

Date: 10 September 2008

Signed on behalf of Cambridge City Council:

I confirm that the audited accounts were approved by the Civic Affairs Committee held on the 10 September 2008.



Councillor R A Boyce
Chair of Civic Affairs

Date: 10 Sept 2008

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 year ending 31 March 2008. 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)				2007/08	2006/07 (Restated)
	Note	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
Service expenditure & income	1				
Central services to the public		8,104	(6,351)	1,753	1,655
Cultural, environmental and planning services		35,442	(20,654)	14,788	11,608
Highways, roads and transport services		6,372	(6,459)	(87)	(761)
Local authority housing (HRA)		33,213	(28,845)	4,368	(305)
Other housing services		32,764	(29,681)	3,083	2,848
Corporate and democratic core		2,586	(17)	2,569	2,647
Non distributed cost		130	0	130	216
Net cost of services		118,611	(92,007)	26,604	17,908
Loss on disposal of assets				690	2,707
Other income				(212)	(125)
(Surpluses)/deficits on trading undertakings not included in net cost of services	2			(297)	(385)
Interest payable and similar charges				42	616
Amounts payable into the Housing Receipts Capital Pool				4,119	4,536
Interest and investment income				(4,140)	(3,338)
Pensions cost and expected return on pensions assets				(160)	144
Net operating expenditure				26,646	22,063
Income from the Collection Fund including transfers to/from the Collection Fund				(5,830)	(5,357)
General government grants				(3,317)	(3,450)
Distribution from non – domestic rates pool				(10,380)	(9,924)
Deficit for the year				7,119	3,332

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 the pension fund 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	2007/08	2006/07 (Restated)
Deficit for the year on the Income and Expenditure Account		7,119	3,332
Net additional amount required by statute and proper practices to be debited or credited to the General Fund balance for the year	15	(8,417)	(4,793)
(Increase)/Decrease in General Fund balance for the year		(1,298)	(1,461)
General Fund balance brought forward		(12,319)	(10,858)
General Fund balance carried forward		(13,617)	(12,319)

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 deficit 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.

(£000s)	Note	2007/08	2006/07 (Restated)
Deficit on the Income and Expenditure Account for the year		7,119	3,332
Movement on the Collection Fund balance attributable to the Council		112	(2)
(Surplus) or deficit arising on the revaluation of fixed assets	53	(32,908)	(68,484)
Actuarial (gains)/losses on Pension Fund assets and liabilities	50	(10,075)	(10,745)
Total recognised gains and losses relating to the year		(35,752)	(75,899)
Prior period adjustment	39	(454)	
Adjustments to opening balances in respect of Financial Instruments Adjustment Account	39	2,930	
Total gains and losses recognised since Statement of Accounts 2006-07		(33,276)	

Total equity at 31 March 2007 as reported in the 2006-07 Statement of Accounts was £779,099,000. The balance sheet at 31 March 2007 has been restated to £779,553,000 as a result of a prior period adjustment. Further detail can be found in Note 39 – *Private sector housing improvement loans*.

Balance Sheet

This summarises the overall financial position of the Council at the 31 March 2008 showing its assets, liabilities and reserves.

(£000s)	Note	31 March 2008	31 March 2007 (Restated)
Intangible assets	17	254	48
Tangible fixed assets			
Council dwellings		589,901	577,682
Other land & buildings		88,262	88,306
Vehicles plant & equipment		4,651	4,988
Infrastructure assets		568	419
Community assets		738	764
Operational assets		684,120	672,159
Investment properties		90,175	86,356
Assets under construction		2,780	553
Surplus assets held for disposal		11,772	4,634
Non operational assets		104,727	91,543
Total tangible fixed assets	18-19	788,847	763,702
Long term debtors	26	952	688
Deferred premium on early repayment of debt	26	0	2,829
Total long term assets		790,053	767,267
Current assets			
Stocks and work in progress	27	358	306
Debtors	28	14,809	12,118
Investments	29	70,022	73,740
Cash in hand and bank		336	12
Total current assets		85,525	86,176
Current liabilities			
Cash at bank overdrawn		0	(580)
Temporary loans		0	(1,430)
Creditors	30	(14,642)	(13,336)
Receipts in advance	31	(5,352)	(4,695)
Total current liabilities		(19,994)	(20,041)
Current assets less current liabilities		65,531	66,135
Total assets less current liabilities		855,584	833,402
Creditors due after more than one year	32	(2,646)	(4,771)
Capital contributions unapplied	33	(4,261)	(3,419)
Capital contributions/grants deferred	34	(9,538)	(9,479)
Provisions	35	(477)	(508)
Pension liability	48	(26,287)	(35,672)
Total assets less liabilities		812,375	779,553
Financed by:	51		
Collection Fund deficit/(surplus)		34	(78)
Capital receipts deferred	52	(179)	(233)
Revaluation reserve	53	(29,303)	0
Financial instruments adjustment account	54	2,406	0
Capital adjustment account	55	(751,825)	(755,708)
Capital Receipts reserve	56	(21,750)	(23,192)
Pensions reserve	57	26,287	35,672
Earmarked reserves	58	(17,837)	(16,992)
General Fund		(13,617)	(12,319)
Housing Revenue Account		(6,591)	(6,703)
Total equity	59	(812,375)	(779,553)

David Horspool
Director of Finance



10 September

2008

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	2007/08	2006/07
Revenue activities			
Cash outflows			
Employment costs		37,707	37,055
Other operating costs		43,527	37,895
Housing Benefit paid		12,774	11,985
Cambridgeshire County Council and police and fire authority precept		44,442	40,675
Payment to National Non-Domestic Rates pool		72,683	69,398
Payments to the Capital Receipts pool		5,301	3,999
Sub total		216,434	201,007
Cash inflows			
Rents (net of rebates)		(14,273)	(13,922)
Council Tax		(45,174)	(41,894)
Community Charge		(1)	(2)
Non-Domestic Rate Income		(62,305)	(60,087)
Non-Domestic Rate Income from the National Pool		(10,380)	(9,924)
Revenue Support Grant	60	(1,742)	(1,914)
Housing & Council Tax Benefit grant	60	(32,991)	(31,489)
Other government grants	60	(2,291)	(3,388)
Cash for goods & services		(47,473)	(44,898)
Other revenue cash income		(38)	(303)
Sub total		(216,668)	(207,821)
Net cash flow from revenue activities	61	(234)	(6,814)
Returns on investments and servicing of finance			
Cash outflows			
Interest paid		40	69
Interest on finance lease payments		2	2
Cash inflows			
Interest received		(4,832)	(3,220)
Returns on investment & servicing of finance net cash outflow		(4,790)	(3,149)
Capital activities			
Cash outflows			
Capital expenditure		19,128	20,077
Other capital cash payments		0	2,830
Cash inflows			
Capital receipts		(9,309)	(9,865)
Capital grants		(600)	(1,055)
Other capital contributions		(1,289)	(3,299)
Capital activities net cash outflow		7,930	8,688
Net cash outflow/(inflow) before financing		2,906	(1,275)
Management of liquid resources			
Short term investments	62	(5,240)	2,030
Financing			
Repayment of borrowing	62	0	2
Net repayment of temporary loans	62	1,430	1
(Increase)/decrease in cash	64	(904)	758

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

(£000s)	2007/08	2006/07
Income	(609)	(590)
Expenditure	260	281
(Surplus)	(349)	(309)

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

(£000s)	2007/08	2006/07
Income from tenants	(6,844)	(5,925)
Reversal of impairment	0	(3,340)
Expenditure	1,105	1,297
(Surplus)	(5,739)	(7,968)

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. Following annual review, this has been achieved in 2007/08 and is expected to continue in the future. 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
2007/08**

(£000s)	2007/08			2006/07	
	Chargeable	Non Chargeable	Total Building Control	Total Building Control	
<i>Expenditure</i>					
Employee Expenses	347	166	513	511	
Transport	3	2	5	5	
Supplies and Services	48	40	88	72	
Central and Support Service Charges	133	85	218	220	
Total Expenditure	531	293	824	808	
<i>Income</i>					
Building Regulation Charges	(529)	0	(529)	(480)	
Miscellaneous Income	0	(1)	(1)	(3)	
Total Income	(529)	(1)	(530)	(483)	
(Surplus)/Deficit	2	292	294	325	

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)	2007/08			2006/07		
	Income	Expenditure	(Surplus)/ Deficit	Income	Expenditure	(Surplus)
Building services	(11,055)	10,963	(92)	(11,314)	11,236	(78)
Waste services	(4,242)	4,161	(81)	(4,509)	4,290	(219)
Streetscene services	(4,932)	4,779	(153)	(4,880)	4,821	(59)
Other services	(2,006)	2,035	29	(678)	649	(29)
Total	(22,235)	21,938	(297)	(21,381)	20,996	(385)

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 £1,795 (£78,576 in 2006/07), Waste Services a surplus of £626 (£219,214 in 2006/07), Streetscene a surplus of £32,449 (£58,122 in 2006/07) and other services a deficit of £47,998 (a surplus of £28,583 in 2006/07).

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 is zero for the Council as it is debt free. 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)	2007/08	2006/07
Statutory MRP	0	0
Depreciation and amortisation charge	2,969	2,655
Impairment charge/(reversal)	493	(3,475)
(Credit)/Debit to General Fund	(3,462)	820
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 and not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £603 (£788.60 in 2006/07) 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 £8,355 in 2007/08 (£5,600 in 2006/07).

5 Publicity Expenditure

Section 5 of the Local Government Act, 1986, requires local authorities to disclose expenditure on publicity in the financial year. In 2007/08 the City Council spent £653,690 (£731,109 in 2006/07). 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 2007/08 was £1,322,693 (£1,272,902 in 2006/07) of which the County reimbursed £418,910 (£407,900 in 2006/07). The net surplus, after external parking charges income, was £288,649 (£395,397 in 2006/07). Of this surplus, £144,325 was returned to the County and the remaining £144,324 is earmarked for future transport-related spending.

The Council also managed, on behalf of the County, the operation of on-street parking services. Net surplus income for 2007/08 of £1,333,886 (£1,368,543 in 2006/07) 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 2007/08

was £212,366 (£92,920 in 2006/07). Total reimbursable expenditure due to the City Council for County Council functions performed by it in 2007/08 was £161,793 (£162,999 in 2006/07).

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 2007/08 the City Council received income of £2,267,199 (£2,247,384 in 2006/07) for services provided to Housing Associations, Trusts and other local authorities. The expenditure incurred was £2,137,314 (£2,151,367 in 2006/07).

8 Pension Costs

Details of pension costs are included in the statement of Pensions Costs, Assets & Liabilities starting on page 39.

9 Members Allowances

The total allowances paid to members during the Municipal year 2007/08 were £236,924 (£223,379 in 2006/07). Details of payments to individual members are published annually in the local newspaper.

10 Operating Leases

The Council made the following payments under operating leases in 2007/08:

(£000s)	2007/08	2006/07
Buildings	233	249
Equipment	22	17
Total	255	266

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 £6.7 million in 2007/08, (£5.8 million in 2006/07).

11 Finance Leases

The Council also holds assets under finance leases. Payments in 2007/08 amounted to £2,247 (£2,247 in 2006/07) 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.

Disclosures:

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 2007/08 the Community Services Scrutiny Committee paid grants totalling £508,454 (£505,541 in 2006/07) to voluntary organisations in which 19 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.

	2007/08	2006/07
£50,000 - £59,999	9	10
£60,000 - £69,999	6	1
£70,000 - £79,999	1	5
£80,000 - £89,999	3	0
£100,000 - £109,999	0	1
£110,000 - £119,999	1	0

There are no staff who receive payments above £119,999. Remuneration excludes employer's 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 2007/08 Cambridge City Council incurred the following fees relating to external audit and inspection.

(£000s)	2007/08	2006/07
Fees payable to the Audit Commission in respect of:		
External audit services carried out by the appointed auditor	103	98
Fees payable in respect of statutory inspection	7	6
Certification of grant claims and returns	20	20
Fees payable in respect of other services	0	1
Total	130	125

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

(£000s)	2007/08	2006/07 (Restated)
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		
Depreciation and impairment of fixed assets	(8,206)	820
Excess of depreciation charged to HRA services over the Major Repairs Allowance	(2,607)	(1,853)
Government grants deferred amortisation	432	320
Write downs of deferred charges and de minimis capital expenditure to be financed from capital resources	(1,799)	(3,646)
Capital contributions for deferred charges	677	2,502
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans	(24)	0
Net surplus/deficit on sale of fixed assets	(681)	(2,707)
Miscellaneous capital receipts	212	125
Net charges made for retirement benefits in accordance with FRS17	(4,735)	(5,876)
	(16,731)	(10,315)
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		
Difference between the amortisation of premiums determined in accordance with the SORP and those determined in accordance with statute	545	
Capital expenditure charged in-year to the General Fund balance	3,942	2,681
Capital expenditure charged in-year to the Housing Revenue Account balance	3,168	3,118
Transfer from Capital Receipts reserve to meet payments to the Housing Receipts Pool	(4,119)	(4,536)
Employer's contributions payable to the Cambridgeshire County Council Pension Fund and retirement benefits payable direct to pensioners	4,045	3,507
	7,581	4,770
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		
Transfer of Housing Revenue Account deficit for the year	(112)	(627)
Net transfer to or from earmarked reserves	845	1,379
	733	752
Net additional amount required to be credited to the General Fund balance for the year	(8,417)	(4,793)

Miscellaneous capital receipts are receipts where no asset has been disposed of during the year.

16 Local Area Agreement

The Council is a participant in Cambridgeshire Together, a Local Area Agreement (LAA). This is a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three-year agreement. This agreement will be superseded by a new three year agreement for 2008-11, currently under negotiation, to reflect a new style of LAA as required by central government.

Cambridgeshire Together has five key goals:

- ◆ Growth – accommodating growth, creating flagship communities and ensuring the benefits of growth and infrastructure are enjoyed by all communities
- ◆ Economic Prosperity – supporting the special role of the county as a centre of knowledge and innovation, especially in low carbon technologies
- ◆ Environmental Sustainability – meeting the challenges of climate change while maintaining a high quality of life
- ◆ Equality and Inclusion – supporting vulnerable groups and enabling them to participate fully in community life, and encouraging healthier and more sustainable communities
- ◆ Strong Communities – engaging citizens in service planning and improvement and ensuring our communities enjoy good quality environments and health, free from crime, unemployment, discrimination and inequalities.

Cambridgeshire Together partners are:

- ◆ Local government bodies – Cambridgeshire County Council, Cambridge City Council, South Cambridgeshire District Council, Fenland District Council, East Cambridgeshire District Council, Huntingdonshire District Council
- ◆ Community protection authorities – Cambridgeshire Constabulary
- ◆ Health bodies – Cambridgeshire Primary Care Trust
- ◆ Voluntary organisations - Cambridge Council for Voluntary Services, Cambridgeshire ACRE, Cambridgeshire Association of Town Councils, East Cambridgeshire Council for Voluntary Services, Fenland Council for Voluntary Services, Hunts Forum for Voluntary Services, Young Lives
- ◆ Business organisations – Greater Cambridge Partnership

Cambridgeshire County Council acts as the accountable body for Cambridgeshire Together. The total amount of LAA Grant received in 2007/08 was £5.6m. Cambridge City Council received £238,495 of this total to fund its own services.

17 Intangible Fixed Assets

The table below explains the movement in the value of intangible fixed assets in the balance sheet for 2007/08.

(£000s)	Purchased Software Licences
Opening gross book value as at 1 April 2007	60
Transfer from assets in the course of construction	15
Expenditure in year	239
Gross book value as at 31 March 2008	314
Amortisation as at 1 April 2007	(12)
Amortised during the year	(48)
Amortisation as at 31 March 2008	(60)
Balance at 31 March 2008	254
Balance at 1 April 2007	48

The amortisation in 2007/08 relates to a Novell Strategic Enterprise Agreement licence (which covers the Council's network and e-mail system) which 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.

Software purchased in 2007/08 includes network related and specialist items including an enhanced graphical information system, legal case management, performance management and postal vote checking systems. These are amortised over the expected life of the software.

18 Tangible Fixed Assets and Capital Expenditure

The tables below explain the movement in the value of tangible fixed assets in the balance sheet for 2007/08.

Operational Assets

(£000s)	Operational assets					Total
	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure Assets	Com-munity Assets	
Opening gross book value as at 1 April 2007	577,682	90,349	8,678	535	836	678,080
Additions	13,191	299	1,115	162	0	14,767
Completion of assets under construction	0	29	23	0	0	52
Transfers from/(to) other categories	(2,620)	(372)	(284)	0	25	(3,251)
Disposals	(6,667)	0	0	0	0	(6,667)
Revaluations	13,039	1,800	0	0	0	14,839
Gross book value as at 31 March 2008	594,625	92,105	9,532	697	861	697,820
Opening depreciation & impairment 1 April 2007	0	(2,043)	(3,690)	(116)	(72)	(5,921)
Depreciation	(7,475)	(1,563)	(1,435)	(13)	(26)	(10,512)
Transfers to other categories	14	7	244	0	0	265
Depreciation adjustment on revaluations	7,461	224	0	0	0	7,685
Impairment	(4,724)	(468)	0	0	(25)	(5,217)
Accumulated depreciation/impairment as at 31 March 2008	(4,724)	(3,843)	(4,881)	(129)	(123)	(13,700)
Net book value as at 31 March 2008	589,901	88,262	4,651	568	738	684,120
Net book value as at 31 March 2007	577,682	88,306	4,988	419	764	672,159

Non-Operational Assets

(£000s)	Non- operational assets			Total
	Investment Properties	Assets Under Construction	Surplus Assets for Disposal	
Opening gross book value as at 1 April 2007	86,404	553	4,634	91,591
Additions	17	2,294	216	2,527
Completion of assets under construction	0	(67)	0	(67)
Transfer from/(to) other categories	160	0	2,826	2,986
Disposals	0	0	(2,628)	(2,628)
Revaluations	3,642	0	6,742	10,384
Gross book value as at 31 March 2008	90,223	2,780	11,790	104,793
Opening depreciation & impairment 1 April 2007	(48)	0	0	(48)
Impairment	0	0	(18)	(18)
Accumulated depreciation/impairment as at 31 March 2008	(48)	0	(18)	(66)
Net book value as at 31 March 2008	90,175	2,780	11,772	104,727
Net book value as at 31 March 2007	86,356	553	4,634	91,543

19 Programme of fixed assets revaluation

Programmed current year valuations were carried out by:

Mr CLN Carter MA MRICS (District Valuer);
Ms A Peirson BSc (Hons) MRICS (Bidwells)

The gross book value of assets valued by the District Valuer and Bidwells during the 2007/08 valuation process totalled £589.9 million (95.4% of the total gross valuations) and £24.0 million (3.9% of the total) respectively.

The Council's internal valuers, Mr J Cowin MRICS and Mr P Doggett BSc(Hons) MRICS, carried out the remaining ad-hoc revaluations required outside of the rolling programme.

The basis for valuation is set out in the statement of accounting policies on page 65.

The following statement should be noted with regard 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 nature of the portfolio is such that Bidwells have not been instructed to reinspect any of the properties. They have therefore relied on information either obtained by them in 1994, 1999, 2003 and 2008, or first and

subsequently provided by Cambridge City Council in order to reach their conclusions.

Bidwells did undertake a visual external inspection of the properties valued. The Council has chosen to depart from the Appraisal and Valuation Standards on the grounds of achieving best value for money in relation to property valuation work. The valuations are based on rental income streams rather than internal inspections due to the nature of the properties. The Council provides updated information on each property to Bidwells to supplement the detail they already hold and meetings are held to plan and discuss the valuations. These would highlight any significant changes.

The following table shows the progress of the Council's programme for the revaluation of assets

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure assets	Community Assets	Non-Operational Assets	Total
Valued at historic cost	-	-	4,651	568	738	2,780	8,737
Valued at current value as at:							
31 March 2008	589,901	8,172	-	-	-	20,159	618,232
31 March 2007	-	12,057	-	-	-	34,483	46,540
31 March 2006	-	40,039	-	-	-	27,403	67,442
31 March 2005	-	19,381	-	-	-	11,191	30,572
31 March 2004	-	8,613	-	-	-	8,711	17,324
Total	589,901	88,262	4,651	568	738	104,727	788,847

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

20 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 2007/08. Council dwellings are placed into three useful life bandings. Assets built before 1945 were assessed as having a remaining useful life of 34 years, those built between 1945 and 1974 have a remaining useful life of 44 years and those built from 1974 onwards having a remaining useful life of 54 years. These assets are being depreciated in accordance with the HRA Resource Accounting regulations.

The remaining operational assets that have useful lives are being depreciated in accordance with the statement of accounting policies outlined on page 67. At the end of the financial year impairment reviews were carried out, by the Council's internal Asset Registrar Mr P Doggett BSc(Hons) MRICS, on those operational assets not depreciated. No additional impairments were identified.

The useful lives of assets are estimated as:

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

21 Physical Assets Held

Major assets held at 31 March 2008 were:-

	31 March 2008 No	31 March 2007 No
Dwellings		
Housing stock	7,438	7,524
Shared ownership	93	95
Operational assets		
Operational offices	10	11
Sports/swimming	8	8
Depots	1	2
Car parks	9	9
Community centres	8	8
Concert hall	1	1
Public WCs	10	10
Cemeteries	1	1
Crematorium	1	1
Weekly let garages	1,845	1,861
Surgery	1	1
Non-operational assets		
Development sites	3	2
Leased property/land	371	365
Museum/heritage properties	1	1
Infrastructure assets		
Private roads/paths	6	6
Community assets		
Skateboard ramps/play areas	14	13
Pavilions	3	3
Allotment site & buildings	3	3
Nature reserve	2	2
All weather sports surfaces	4	3
Recreation ground WCs	4	4
Area in hectares		
Commons	109	109
Allotments	34	34
Public open space	83	83

22 Capital expenditure and financing

(£000s)	2007/08	2006/07 (Restated)
Opening capital financing requirement	(1,281)	(1,281)
Capital expenditure		
Council housing	13,563	12,028
Private Sector Housing Improvement Loans	213	140
Renovation & disabled facilities grants	646	786
Assistance to housing associations	104	1,520
Leisure & community facilities	749	2,450
Environmental improvements	854	891
Car parks & parking enforcement	177	215
Public Conveniences	44	0
Waste collection	217	403
City Services vehicles & equipment	387	558
Commercial properties	151	137
Customer Service Centre	1,520	180
IT Systems	893	234
Other (administrative properties & equipment)	27	337
Developers' contributions paid to the County Council	0	2,830
Financed by:		
Capital receipts	(6,213)	(4,105)
Revenue & Reserves	(12,286)	(11,441)
Grants & contributions	(1,046)	(7,163)
Closing capital financing requirement	(1,281)	(1,281)

23 Capital Commitments

At the 31 March 2008, the Council was contractually committed to capital works valued at approximately £9.1 million, as shown in the following table:

(£000s)	31 March 2008	31 March 2007
General Fund		
Compulsory Purchase Orders	0	391
Public conveniences	52	50
Arbury Park	2,005	1,882
Refuse collection vehicles	0	132
Cycleways	170	0
Controlled drinkers project	0	12
Grafton East Car Park	2,306	0
Customer Access Strategy Accommodation design	81	0
Arbury community centre	0	125
Grand Arcade Partnership	0	250
Environmental improvements programme	0	86
PVCu refurbishment	0	50
Bishops Mill sluice	0	101
Disabled Facilities Grants	61	0
Housing works	97	0
Customer Access IT	89	0
Other works – less than £50,000 per contract	122	320
Affordable Homes	1,354	874
Housing Revenue Account		
Decent Homes capital programme	1,776	0
Disabled Adaptations	199	0
Talbot House Refurbishment	172	0
Mansel Court Refurbishment	620	0
Other works – Less than £50,000	0	30
Total	9,104	4,303

The majority of capital expenditure under these contracts will be incurred in 2008/09 except for £81,000 of General Fund works due in 2009/10.

24 Operating leases

The future liability under existing operating leases was as follows:

(£000s)	31 March 2008		31 March 2007	
	Buildings	Other	Buildings	Other
Future rental liabilities				
Leases expiring within two to five years	0	37	0	54
Leases expiring in more than five years	1,522	10	1,877	11
Total	1,522	47	1,877	65

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 £90.2 million (£86.4 million in 2006/07). These assets are held as investment properties in accordance with the SORP and accordingly no depreciation is charged upon them.

25 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 2008	Valuation as at 31 March 2007
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 2007/08 were £2,247. These payments were accounted for as finance costs.

26 Long-Term Debtors and Deferred Premium on Early Repayment of Debt

Long-term debtors which fall due after a period of at least one year.

(£000s)	31 March 2008	31 March 2007 (Restated)
Mortgages	91	133
Grand Arcade Reverse Lease Premium	244	0
Private Sector Housing Improvement Loans	528	454
Other	89	101
Long-term debtors	952	688

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. It was derecognised on 1 April 2007 in line with SORP 2007 and the balance at that date was effectively transferred to the Financial Instruments Adjustment Account.

27 Stocks and Work in Progress

(£000s)	31 March 2008	31 March 2007
Stocks		
City Services department	268	233
Other	55	51
Total stocks	323	284
Work-in-progress		
City Services department	35	22
Total work-in-progress	35	22
Total	358	306

28 Debtors

(£000s)	31 March 2008	31 March 2007 (restated)
Amounts falling due within one year		
Government departments	5,246	972
Housing tenants - rent	1,311	1,289
Community charge payers	1	2
Council tax payers	9,107	8,999
Sundry debtors	4,758	6,143
Housing Benefit overpayments	1,571	1,591
Total	21,994	18,996
Less provision for bad debts	(7,185)	(6,878)
Total	14,809	12,118

As in previous years a full provision is made for housing benefit overpayments. However the Council seeks to recover these debts. The comparative figures for 2006/07 have been adjusted to reflect the debtor and provision of £1.591 million rather than the net position.

29 Investments

The investments disclosed in the balance sheet are made up of the following categories:

(£000s)	31 March 2008
Loans and receivables	70,022

The balance at 31 March 2007 which was £73.4 million is not directly comparable due to the introduction of financial instruments accounting as detailed in note 39.

30 Creditors

(£000s)	31 March 2008	31 March 2007
Government departments	1,233	2,492
Capital creditors	2,878	2,171
Developers' contributions	3,519	1,063
Sundry creditors	7,012	7,610
Total	14,642	13,336

31 Receipts in Advance

(£000s)	31 March 2008	31 March 2007
Council Tax	2,446	2,312
National Non Domestic Rate	1,167	1,326
Developers' contributions maintenance	695	305
Other	1,044	752
Total	5,352	4,695

32 Creditors due in more than one year

(£000s)	31 March 2008	31 March 2007
Developers' contributions	2,646	4,771
Total	2,646	4,771

33 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.

34 Capital Contributions and 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.

35 Provisions

(£000s)	2007/08		2006/07	
	Insurance	PVCu	Insurance	PVCu
Balance as at 1 April	366	142	176	0
Movement in the year	(30)	(1)	190	142
Balance as at 31 March	336	141	366	142

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.

36 Contingent Liabilities and Assets

Compulsory Purchase Orders

Residential dwellings:

The Council has compulsorily purchased two houses, the first in 2003/04 and the second in 2006/07. The obligation to compensate the previous owners arises when the claimant actually claims compensation and such amount is agreed or awarded by the Lands Tribunal.

The claimants have 12 years from the date of purchase to make a claim for compensation and are 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 values plus accumulated interest at 31 March 2008 are £568,524.

The claimants have been notified of their rights but no indication has yet been received on when the amounts may become payable.

Grand Arcade development:

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.

The Council subsequently served Notice to Treat on several tenanted shop units within Lion Yard shopping centre that had failed to complete Deeds of Variation to vary restrictive covenants affecting the Grand Arcade development, two of which are still being negotiated. There is a remote possibility that the Council could end up with a vacant shop unit but there is an indemnity arrangement in place whereby the Council would be reimbursed rent payments for up to 18 months.

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 previous insurers Municipal Mutual Insurance (MMI) 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. The solicitor who is dealing with the claim on behalf of the Council has been appointed Coordinating Solicitor for a collective of 10 other local authorities. He is 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. Legal proceedings are scheduled for a 6-8 week trial commencing in June 2008.

In 1992-93 the Council's then insurers, 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 2007 shows the total assets of MMI stood at £169 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 is involved in litigation with a local company whereby an application to the High Court has been made in respect of a declaration of ownership by that company of steps abutting the River Cam.

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 conditions in respect of renewable energy included in the original planning permission. In both cases, should legal proceedings find against the Council it would be liable for some or all of the claimants' costs.

The Council is currently defending an appeal against a criminal conviction in relation to health and safety.

Public Inquiries

The Council is involved in three public inquiries in respect of refusal of planning permission.

37 Deferred Charges

(£000s)	2007/08	2006/07 (Restated)
Balance as at 1 April	0	0
Improvement grants	645	771
Grants for community facilities	210	646
Other expenditure	460	388
Grants for affordable housing	22	1,520
Written off to Income and Expenditure Account	(1,337)	(3,325)
Balance as at 31 March	0	0

38 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.

39 Changes in accounting policy

Introduction of Revaluation and Capital Adjustment Account

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 3). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance £642,637,000 on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£112,617,000 credit balance) to form the new Capital Adjustment Account with a balance of £755,254,000. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

Treatment of certain capital receipts

Previously sums which were defined as capital receipts but were not clearly attributable to an asset disposal were included in the figures for disposal of assets. In line with the new guidance in the Statement of Recommended Practice Practitioner's Guidance Notes it is now felt more appropriate to disclose these receipts, which total £212,000 in 2007/08, separately.

The comparative Income and Expenditure Account figures for 2006/07 have been restated to move receipts totalling £125,000 to other income. Corresponding adjustments have also been made to Note 15, the Note to the Movement on the General Fund balance, and note 61, a note to the Cash Flow statement.

These receipts relate entirely to the HRA and adjustments have been made to the relevant HRA statements as detailed in note 12 to the HRA.

Capital contributions and grants deferred

In line with guidance provided in Local Authority Accounting Panel (LAAP) Bulletin 73 issued in April 2008 the Council has also revised the accounting treatment of grants and contributions applied to finance assets in the course of construction. Previously these amounts were transferred to the capital contributions deferred account in advance of the asset becoming operational. Contributions in respect of assets in the course of construction total £365,000 at 31 March 2008 and are now retained within capital contributions unapplied until the asset is complete. An adjustment of £295,000 has been made between capital contributions unapplied and capital contributions and grants deferred on the balance sheet as at 31 March 2007.

Private sector housing improvement loans

The Council has reviewed and revised its accounting treatment of private sector housing improvement loans. These interest free loans are secured as a legal charge on the homes of the recipients and must be repaid (with certain exceptions) on the sale of the property. Loans of £213,000 were advanced in 2007/08. These

were previously treated in the same way as improvement grants and written off to the Income and Expenditure Account as deferred charges – with a corresponding credit from the Capital Financing account so that there was no impact on Council Tax. These loans are appropriately held as long term debtors on the balance sheet and an adjustment has been made, increasing the credit balance on the Capital Adjustment Account, to reflect the debtor outstanding at 31 March 2007 of £454,000. Other changes have been made to the comparative figures for 2006/07, to reflect the £140,000 of loans advanced in 2006/07 which are not now to be treated as deferred charges, but these have no overall impact on General Fund balances.

Financial Instruments

SORP 2007 introduced accounting for financial instruments in line with FRS 25, FRS 26 and FRS 29. The Council has revised the opening balance sheet as at 1 April 2007 in line with the requirements in the SORP.

The SORP required the remaining deferred premium on early repayment of debt of £2,828,817 to be derecognised and written off to the balance on General Fund reserves. However statute allowed the creation of a Financial Instruments Adjustment Account and a corresponding transfer was made from this account so that the derecognition has no impact on reserves.

Statute allows the Council to continue to amortise the remaining premium in the Statement of Movement on Housing Revenue Account Balances each year with a corresponding credit from the Financial Instruments Adjustment Account. The annual impact on reserves is therefore unchanged from that under the previous accounting policy.

The SORP also now requires financial instruments to be measured at their fair value with a restatement being made to opening balances as at 1 April 2008. An adjustment of £99,884 was made at 1 April in respect of soft loans (loans made at less than market rates) because their 'fair value' was less than the outstanding balance owed to the Council because of the discounted rate of interest offered. Adjustments to fair value must be charged to the Income and Expenditure Account but statutory regulation permits a corresponding transfer from the Financial Instruments Adjustment Account to negate any impact on General Fund balances.

Interest on investments accrued at 31 March 2008 of £1.5 million is disclosed as part of the value of the investment. At 31 March 2007 the interest accrual of £1.6 million was included as part of debtors. In line with the SORP no adjustment to comparatives has been made.

No change to impairments assessed under previous accounting policies was identified at 1 April 2007.

The adjustments to balances at 1 April 2007 in respect of financial instruments accounting have no net impact on the Statement of General Fund balances for the year but they are disclosed in the Statement of Recognised Gains and Losses for the year.

40 Financial Instruments gains and losses

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

(£000s)	Liabilities measured at amortised cost	Loans and Receivables	Total
2007/08:			
Charged to net cost of service			
Bad debts written off direct to services	0	13	13
Increase in bad debt provisions	0	159	159
Adjustments to fair value of soft loans	0	45	45
Interest payable and similar charges	42	0	42
Interest and investment income	0	(4,140)	(4,140)
Net gain/(loss) for the year	42	(3,923)	(3,881)

41 Fair value of assets and liabilities carried at amortised cost

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

- ◆ An estimated interest rate at 31 March 2008 of 4.24% has been used to calculate the fair value of private sector housing improvement loans
- ◆ No early repayment or impairment is recognised
- ◆ Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

(£000s)	31 March 2008	
	Carrying amount	Fair value
Financial liabilities at amortised cost	(10,934)	(10,934)
Loans and receivables	74,779	74,779

42 Nature and extent of risks arising from financial instruments

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

- ◆ Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- ◆ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments

- ◆ Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

How the Council manages those risks

The Council maintains principles for overall risk management, as well as approved policies covering specific areas, such as Treasury Management. Each year the Council produces a Treasury Management & Annual Investment Strategy that explains how the Council intends to manage credit, liquidity and market risk in its investments.

Credit risk

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

In relation to investments, deposits of up to one year are only made with banks or other financial institutions that are rated independently with a minimum score of F1 (Fitch) or P1 (Moody's) and a Fitch support rating of at least 3. In the case of Building Societies, they must also have assets greater than £2.5bn. A maximum of £5m is allowed to be invested for up to three years but the minimum credit criteria then has to be F1+ with a 'long-term' rating of at least AA-, an Individual rating of B and a Support rating of 2. No more than £ 6 million is to be on deposit with one institution at any time. In light of the above investment strategy, the Council does not consider there to be any quantifiable credit risk in relation to its investments as at 31 March 2008.

In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts. In respect of current and past tenants of council dwellings, the bad debt provision takes account of the total sum owed by each individual debtor.

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

(£000s)	Gross debt as 31 March 2008	Impairment Allowance (Estimated maximum exposure to default and uncollectability)
Long-term debtors	707	0
Current and former tenants	1,310	918
Other debtors	4,076	418
Total	6,093	1,336

Long-term debtors include private sector housing improvement loans and council house mortgages. These are secured on properties.

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

(£000s)	Impairment allowance
Balance as at 1 April 2007	1,237
Increase in allowance for impairment	160
Balances written off during the year	(61)
Balance as at 31 March 2008	1,336

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2008, of the total debtor and deferred debtor balances of £6.1 million, the past due amount was £1.7 million and can be analysed by age as follows:

(£000s)	
Customer debts	
Less than three months	347
Three to six months	60
Six months to one year	224
More than one year	1,029
Total	1,660

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All financial liabilities as at 31 March 2008 are due within one year.

Market risk

Interest rate risk

The Council is exposed to minimal risk in terms of its exposure to movements in interest rates. This is because the majority of its investments are at fixed rates. They are also of less than one year in duration and so changes to fair value will be minimal. The Council does, however, utilise its bank's deposit account for very short term cash deposits and the interest rate on this account moves in line with movements in the bank rate.

In general terms, a rise in interest rates would have the following effects:

- ◆ Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- ◆ Investments at fixed rates – the fair value of the assets will fall

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. However, looking back on last year, if interest rates had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £23,000.

Price risk

The Council does not invest in equity shares and so is not exposed to this risk.

Foreign exchange risk

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

43 Date the Statement of Accounts were authorised for issue

The audited Statement of Accounts were authorised for issue by the Director of Finance on 10 September 2008. This is the date up to which events after the balance sheet date have been considered.

Pension Costs, Assets & Liabilities

44 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.

45 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 on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year.

(£000s)	2007/08	2006/07
Income and Expenditure Account		
Net cost of services		
Current service cost	4,765	5,516
Non distributed cost	130	216
Net operating expenditure		
Interest cost	8,336	7,554
Expected return on assets	(8,496)	(7,410)
Net charge to the Income & Expenditure Account	4,735	5,876
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(690)	(2,369)
Actual amounts charged against the General Fund balance for pensions in the year:		
Employers contributions payable	4,045	3,507

In 2007/08 the Council paid an employer's contribution of £3,748,831, representing 14.6% of employees' pensionable pay, into Cambridgeshire County Council's Pension Fund (£3,228,302 and 12.8% in 2006/07), which provides members with defined benefits related to pay and service.

46 Valuation of the Pension Fund

The contribution rate is determined by Hymans Robertson, the independent actuary to the County Council Fund, based on triennial valuations. Costs in 2007/08 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. 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 14.6%, effective from 1 April 2007.

The Actuarial valuation report to 31 March 2007 still requires an increase in future employer's contributions levels, although these have been revised downwards as shown below:

1 April 2008	15.9%
1 April 2009	17.2%
1 April 2010	18.6%

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.

47 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 2008	31 March 2007	31 March 2006
- rate of inflation	3.6%	3.2%	3.1%
- rate of increase in salaries	5.1%	4.7%	4.6%
- rate of increase in pensions	3.6%	3.2%	3.1%
- rate of discounting scheme liabilities	6.9%	5.4%	4.9%

In accordance with CIPFA guidance, the rate of discounting scheme liabilities for the 2007/08 financial year was 6.9% which was the yield available on long-dated, high quality corporate bonds at the FRS17 valuation date.

48 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)	2007/08	2006/07
Share of assets in County Council Fund	110,547	118,094
Estimated liabilities in County Council Fund	(132,457)	(149,429)
Net liabilities in County Council Fund	(21,910)	(31,335)
Estimated liabilities for discretionary pensions	(4,377)	(4,337)
Net pension liability	(26,287)	(35,672)

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 in relation to pensions liabilities 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.

49 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 2008	31 March 2007	31 March 2008	31 March 2007
	Equity Investments	69.6%	74.2%	7.7%
Bonds	12.8%	11.3%	5.7%	4.9%
Property	12.0%	12.4%	5.7%	5.9%
Cash	5.6%	2.1%	4.8%	4.9%
Total Fund Assets	100%	100%	7.0%	7.2%

50 Movement in Net Pension Liabilities

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

(£000s)	2007/08	2006/07
(Deficit) as at 1 April	(35,672)	(44,048)
Current service cost	(4,765)	(5,516)
Employer contributions	3,757	3,241
Contributions in respect of unfunded benefits	288	266
Impact of settlements and curtailments	(75)	(216)
Past service costs	(55)	0
Net return on assets	160	(144)
Actuarial gains/(losses)	10,075	10,745
(Deficit) as at 31 March	(26,287)	(35,672)

The actuarial gains/losses identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2008:

	2007/08		2006/07		2005/06		2004/05		2003/04	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	(14,298)	(12.9)	1,125	1.0	15,484	14.2	4,194	4.8	11,100	14.0
Differences between actuarial assumptions about liabilities and actual experience	(903)	(0.7)	235	0.0	(50)	0.0	(6,474)	(5.1)	(340)	(0.4)
Changes in the demographic and financial assumptions used to estimate liabilities	25,276	18.5	9,385	6.1	(17,981)	(11.8)	(21,574)	(17.1)	0	0
Actuarial gain/(loss) in pension plan	10,075		10,745		(2,547)		(23,854)		10,760	

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 Finance, Property and Performance, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

Reserves

51 Summary of Council Reserves

The Council keeps a number of reserves. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2007 £000s	Net Movement in Year £000s	Balance 31 March 2008 £000s	Purpose of Reserve	Further Details of Movements
Collection Fund Surplus	(78)	112	34	Holds Council's share of the Collection Fund balance	Collection Fund Statements, Pages 59 to 62
Capital Receipts deferred	(233)	54	(179)	Holds balance of capital receipts due to the Council in instalments	Note 52
Revaluation Reserve	0	(29,303)	(29,303)	Store of gains on revaluation of fixed assets not yet realised through sales	Note 53
Financial Instruments Adjustment Account	2,930	(524)	2,406	Balancing account to allow for differences in statutory requirements and proper accounting requirements for borrowings and investments	Note 54
Capital Adjustment Account	(755,708)	3,883	(751,825)	Capital resources set aside to meet past expenditure	Note 55
Capital Receipts	(23,192)	1,442	(21,750)	Proceeds of fixed asset sales available to meet future capital investment	Note 56
Pensions Reserve	35,672	(9,385)	26,287	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 57
Earmarked Reserves	(16,992)	(845)	(17,837)	Resources identified for specific purposes	Note 58
General Fund	(12,319)	(1,298)	(13,617)	Resources available to meet future costs for non-housing services	Statement of Movement on the General Fund Balance, page 8
Housing Revenue Account	(6,703)	112	(6,591)	Resources available to meet future costs for council houses	HRA Statements, pages 53 to 58
Total	(776,623)	(35,752)	(812,375)		

52 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.

53 Revaluation Reserve

The movement on the Revaluation Reserve can be summarised as follows:

(£000s)	2007/08
Balance as at 1 April	0
Net gains arising on revaluations during the year	(32,908)
Release of revaluation gains on disposal	3,605
Balance as at 31 March	(29,303)

The Revaluation Reserve has been implemented in line with the SORP 2007. Further details of the change are detailed in note 39.

54 Financial Instruments Adjustment Account

(£000s)	2007/08
Adjustment on 1 April in respect of Debt Redemption Premium	2,829
Adjustment on 1 April to reflect adjustment to fair value of Private Sector Housing Improvement Loans	100
Amortisation of debt redemption premium	(545)
2007/08 Movement in fair value of Private Sector Housing Improvements Loans	22
Balance as at 31 March	2,406

The Financial Instruments Adjustment Account has been implemented in line with the SORP 2007. Further details of the change can be found in note 39.

55 Capital Adjustment Account

The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

The comparative figures for 2006/07 represent the transactions on the Capital Financing Account and the Fixed Asset Restatement Account which were merged to form the balance on the Capital Financing Account as at 31 March 2007. Further details on the change can be found in note 39.

(£000s)	2007/08	2006/07 (Restated)
Balance as at 1 April	755,708	690,634
Capital Financing		
- Capital receipts transferred from usable receipts reserve	6,214	4,105
- Revenue and reserves	12,094	11,441
- Grants	0	15
Depreciation and impairment	(8,205)	820
Write down of deferred capital contributions	432	320
Capital contributions for deferred charges	677	2,502
Write down of deferred charges	(1,337)	(3,325)
Write down of de-minimis capital expenditure	(462)	(321)
Transfer to Major Repairs Reserve	(7,591)	(6,776)
Private sector housing loans	(15)	314
Surplus on revaluation of fixed assets	0	68,484
Disposal of fixed assets	(5,690)	(12,505)
Balance as at 31 March	751,825	755,708

56 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)	2007/08	2006/07
Balance as at 1 April	23,192	21,878
2007/08 Capital Receipts	8,891	9,955
Housing Pooled Capital Receipts	(4,119)	(4,536)
Transferred to Capital Adjustment Account to finance new expenditure	(6,214)	(4,105)
Balance as at 31 March	21,750	23,192

57 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 39.

(£000s)	2007/08	2006/07
Balance as at 1 April	35,672	44,048
Deficit for the year	(9,385)	(8,376)
Balance as at 31 March	26,287	35,672

58 Earmarked Reserves

These are reserves set aside or earmarked for specific purposes. The total at 31 March 2008 was made up as follows:-

(£000s)	Balance at 1 April	Movement for the period	Balance at 31 March
Asset Repair and Renewal Reserves	(12,175)	(1,043)	(13,218)
Major Repairs Reserve	0		
Insurance Fund	(398)	(62)	(460)
Efficiency Fund	(172)	172	0
Technology Investment Fund	(894)	336	(558)
Shared Ownership Reserve	(300)	0	(300)
Commutation Adjustment	(887)	0	(887)
Local Plan Review Reserve	(30)	(16)	(46)
Compulsory Purchase Order Compensation Reserve	(335)	(234)	(569)
Major Planning Appeals Reserve	(233)	195	(38)
Revenue Contributions to Capital Reserve	(545)	208	(337)
Other Reserves	(1,023)	(401)	(1,424)
Total	(16,992)	(845)	(17,837)

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

59 Analysis of Net Funds Employed

(£000s)	31 March 2008	31 March 2007 (Restated)
General Fund	177,318	158,091
Housing Revenue Account	635,057	621,462
Total	812,375	779,553

Notes to the Cash Flow Statement

60 Analysis of Government Grants

(£000s)	2007/08	2006/07
Housing & Council Tax Benefit	(32,991)	(31,489)
Revenue Support Grant	(1,742)	(1,914)
Supporting People	(863)	(963)
Smoke Free Grant	(54)	0
Homeless & Rough Sleepers	(392)	(419)
Local Housing Allowance	(108)	0
Planning Delivery	(453)	(458)
Local Authority Business Growth Incentive	(231)	(1,536)
Concessionary Fares	(46)	0
Employment and support allowance	(30)	0
Scan funding	(44)	0
Other Government Grants	(44)	(12)
Elections	(26)	0
Total	(37,024)	(36,791)

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

(£000s)	2007/08	2006/07 (Restated)
Deficit/(Surplus) for the year	7,119	3,332
Collection Fund deficit	962	15
Non-Cash Transactions		
Depreciation and impairment	(15,796)	(5,956)
Adjustment to fair value of Private Sector Housing Loans	(50)	0
Loss on disposal of assets	(690)	(2,707)
Miscellaneous capital receipts	212	125
Movement in provisions	31	(332)
Government grants deferred	432	320
FRS17 adjustments	(690)	(2,369)
Write down of deferred charges and de minimis capital expenditure	(1,799)	(3,646)
Capital contributions for deferred charges	677	2,502
Other non-cash transactions	539	1,200
Other adjustments		
Investment income	4,140	3,338
Interest payable and similar charges	(42)	(616)
Cash movements		
Increase/(Decrease) in stocks and WIP	52	(67)
Increase/(Decrease) in debtors	4,060	(526)
Decrease/(Increase) in creditors and receipts in advance	609	(1,427)
Net cash flow from revenue activities	(234)	(6,814)

62 Analysis of Changes in Management of Liquid Resources & Financing

(£000s)	Balance 31 March 2008	Balance 31 March 2007	Cash Movement In Year
Management of Liquid Resources			
Short Term Investments	68,500	73,740	(5,240)
Financing			
Repayment of Borrowing			
Net Repayment of Temporary Loans	0	(1,430)	1,430
Decrease in Liquid Resources	68,500	72,310	(3,810)

63 Liquid Resources

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

(£000s)	2007/08	2006/07 (Restated)
Value of surplus funds invested during the year	247,321	247,745
Investments repaid during the year	(252,561)	(245,715)
Net (decrease)/increase in investments	(5,240)	2,030

In previous years on-call funds have been treated as invested and repaid on each working day. The value of funds invested and repaid is now based on the transfers made to and from the on-call account to better reflect the way in which the Council operates its investments. The 2006/07 comparatives have been restated accordingly but there is no effect on the net movement in investments.

64 Movement in Cash

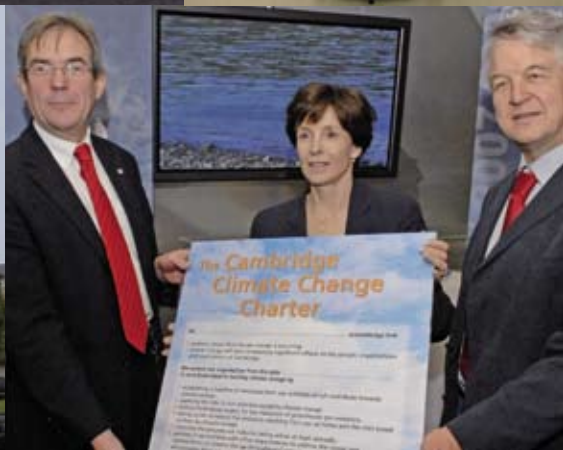
Cash is defined as cash in hand and deposits repayable on demand, less overdrafts.

(£'000s)	Balance 31 March 2008	Balance 31 March 2007	Movement in Year
Cash in hand/at Bank	336	12	324
Bank overdraft	0	(580)	580
Increase/(decrease) in cash	336	(568)	904

65 Reconciliation of net cash flow to movement in net funds

(£000s)	Balance 31 March 2008	Balance 31 March 2007	Movement in Year
Cash	336	(568)	904
Borrowing	0	(1,430)	1,430
Short Term Investments	68,500	73,740	(5,240)
Total	68,836	71,742	(2,906)

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	2007/08	2006/07 (Restated)
Income			
Gross rent - dwellings	2	(25,639)	(24,720)
Gross rent – garages/land		(1,104)	(1,071)
Charges for services and facilities		(1,817)	(1,707)
Contributions towards expenditure		(285)	(405)
Total		(28,845)	(27,903)
Expenditure			
Repairs & maintenance		5,287	5,705
Supervision & management		6,047	6,190
Rents, rates, taxes and other charges		229	198
Depreciation and impairment		12,383	6,776
Negative Housing Revenue Account Subsidy	3	9,137	8,616
Increased provision for bad debts		130	113
Total		33,213	27,598
Net cost/(surplus) of HRA services		4,368	(305)
HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account			
Loss on sale of HRA fixed assets		508	2,647
Other income		(212)	(125)
Amortisation of premiums and discounts		0	545
Interest and investment income		(575)	(488)
Deficit for the year on HRA services		4,089	2,274

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2007/08	2006/07 (Restated)
Deficit for the year on the HRA Income and Expenditure Account		4,089	2,274
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:			
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year			
Depreciation and impairment adjusted via the Capital Adjustment Account		(4,792)	0
Loss on disposal of fixed assets		(508)	(2,647)
Miscellaneous capital receipts		212	125
Net charges for retirement benefits made in accordance with FRS17		(680)	(956)
Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year			
Sums to be debited to the HRA that are not expenditure in accordance with UK GAAP		53	42
Difference between the amortisation of premiums and discounts determined in accordance with the SORP and those determined in accordance with statute		545	0
Employer's contributions payable to the Cambridgeshire County Council Pension Fund		456	408
Capital expenditure funded by the Housing Revenue Account	8	3,168	3,118
Transfers from Major Repairs Reserve	10	(2,607)	(1,853)
Contribution to earmarked reserves		176	116
Total movement on Housing Revenue Account for the year		112	627
Housing Revenue Account balance brought forward		(6,703)	(7,330)
Housing Revenue Account balance carried forward		(6,591)	(6,703)

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 2008, 2.14% of properties were vacant (2.19% at 31 March 2007).

The average rent payable in 2007/08 was £72.37 per week based on 48 rent weeks (£66.80 per week on a 52 week basis). 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).

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 2007/08 was calculated as follows:

(£000s)	2007/08	2006/07
Management and maintenance	10,976	10,716
Capital charges	1,193	1,056
Admissible allowance	0	40
	12,169	11,812
Notional rent	(27,487)	(25,844)
Rental Constraint Allowance	1,130	430
Interest on receipts	(8)	(12)
	(14,196)	(13,614)
Major Repairs Allowance	4,984	4,923
Defects Reinstatement Loan	43	43
Defects Repurchases Loan	0	6
Negative Subsidy Payable	(9,169)	(8,642)
Adjustment to subsidy required in future years	12	26
Estimated adjustment to subsidy for prior year	(26)	0
Actual adjustment to subsidy for prior year	46	0
Negative Subsidy included in HRA Summary	(9,137)	(8,616)

4 Asset Values within the HRA and Depreciation and Impairment

(£000s)	Asset Values		Depreciation		Impairment	
	31 March 2008	1 April 2007	2007/08	2006/07	2007/08	2006/07
Operational Assets						
Dwellings	589,901	577,682	7,475	6,726	4,724	0
Other Land & Buildings	7,020	7,060	116	50	0	0
Infrastructure	162	0	0	0	0	0
	597,083	584,742	7,591	6,776	4,724	0
Investment Properties	4,387	4,294	0	0	0	0
Surplus Assets held for disposal	3,550	0	0	0	19	0
Total Fixed Assets	605,020	589,036	7,591	6,776	4,743	0

The impairments shown above did not result from a clear consumption of economic benefits but have been charged to the HRA because there is no balance on the revaluation reserve in respect of these assets.

De minimis capital expenditure of £50,000 (2006/07 £0) has been written off during 2007/08.

The value of council dwellings at 1 April 2007, based on vacant possession, was £1,259 million (2006/07: £1,149 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.

5 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.

6 Housing Stock

The Council was responsible for an average stock of 7,524 dwellings during the year. The stock as at 31 March 2008 was as follows:-

	31 March 2008	31 March 2007
Houses & bungalows	3,727	3,761
Flats	3,072	3,093
Sheltered housing units	639	670
Shared ownership properties	42	44
Total	7,480	7,568

The change in stock during the year can be summarised as follows:

	2007/08	2006/07
Stock as at 1 April	7,568	7,645
Right to buy sales	(43)	(72)
Open market disposals	0	(2)
Net shared ownership changes	(2)	(1)
Other changes	(43)	(2)
Stock as at 31 March	7,480	7,568

Of the 43 'other changes' in 2007/08, 42 relate to dwellings that have been earmarked for disposal and are no longer occupied by tenants. These have been transferred to the category of surplus assets held for disposal and are valued at open market value.

7 Rent Arrears

Rent arrears for the year ended 31 March 2008 were £1,223,563 (£1,199,632 in 2006/07) and as a proportion of gross rent income have increased from 4.40% in 2006/07 to 4.47% in 2007/08.

At 31 March 2008 a provision for bad debts of £917,661 was held in the balance sheet (£916,713 at 31 March 2007).

8 Financing of Capital Expenditure within the HRA

(£000s)	2007/08	2006/07
Capital Receipts	5,556	3,206
Major Repairs Reserve	4,984	5,642
Revenue financing of capital	3,168	3,118
Use of earmarked reserves	99	64
Total	13,807	12,030

Capital expenditure in the year is all in relation to HRA stock apart from £162,000 (£0 in 2006/07) which was spent on HRA infrastructure assets and £245,000 (£10,000 in 2006/07) in relation to the HRA share of the new customer service centre.

9 Capital Income within the HRA (Net of Capital Receipts Pooling)

(£000s)	2007/08	2006/07
Dwellings	2,417	4,463
Land	625	944
Total	3,042	5,407

10 Major Repairs Reserve

(£000s)	2007/08	2006/07
Balance as at 1 April	0	719
Transfer to MRR during the year	7,591	6,776
Amount transferred from MRR to HRA	(2,607)	(1,853)
HRA Capital Expenditure on housing charged to MRR	(4,984)	(5,642)
Balance as at 31 March	0	0

11 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.

12 Restatement of the HRA

Previously, sums which were defined as capital receipts but were not clearly attributable to an asset disposal were included in the figures for disposal of assets. In line with the new guidance in the Statement of Recommended Practice Practitioner's Guidance Notes it is now felt more appropriate to disclose these receipts, which total £212,000 in 2007/08, separately.

The comparative Income and Expenditure Account figures for 2006/07 have been restated to move receipts totalling £125,000 to other income. Corresponding adjustments have also been made to the Movement on the HRA balance.

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	2007/08	2006/07
Income and Expenditure Account	1		
Income			
Council Tax	2	(49,824)	(46,392)
National Non-Domestic Rates	3	(70,101)	(69,865)
Reduction in Community Charge bad debt provision		(1)	(1)
Community Charge deficit transfer from General Fund		0	(3)
Total Income		(119,926)	(116,261)
Expenditure			
Precepts and demands	4	50,272	46,036
Allowable costs of NNDR collection		235	238
Payment to NNDR Pool	3	69,866	69,627
Provision for non-payment of Council Tax	5	514	375
Community Charge surplus transfer to General Fund	6	1	0
Total Expenditure		120,888	116,276
Deficit for the Year	6	962	15
(Surplus) as at 1 April		(669)	(684)
Deficit/(Surplus) as at 31 March	6	293	(669)

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 2008 was set at £1,283.08, made up as follows:

(£s)	2007/08	2006/07
Cambridge City Council	148.81	142.40
Cambridgeshire County Council	932.49	888.12
Cambridgeshire Police Authority	149.40	142.29
Cambridgeshire Fire Authority	52.38	50.40
Total	1,283.08	1,223.21

The following table shows the calculation of the Council Tax Base for 2007/08 (used to determine the tax needed at band D to finance spending).

Council Tax Base 2007/08

Valuation Band	Total no. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc.)	Ratio to Band D	Band D Equivalents
A	2,721	1,995	6/9	1,330
B	8,771	6,890	7/9	5,359
C	16,789	14,246	8/9	12,663
D	7,851	6,601	9/9	6,601
E	4,493	3,840	11/9	4,693
F	2,857	2,449	13/9	3,538
G	2,685	2,146	15/9	3,577
H	412	222	18/9	443
Total	46,579	38,389		38,204

The income of £49.8 million in 2007/08 was receivable from the following sources:

(£000s)	2007/08	2006/07
Billed to Council Tax payers	44,512	41,379
Transfer from General Fund		
- Council Tax benefits	5,312	5,013
Total	49,824	46,392

3 National 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 2008 was £208,956,820 (£207,425,015 at 31 March 2007) and the Uniform Business Rate in 2007/08 was set by the Government at 44.4p (2006/07, 43.3p).

4 Precepts and Demands

(£000s)	2007/08	2006/07
Cambridge City Council	5,831	5,360
Cambridgeshire County Council	36,536	33,424
Cambridgeshire Police Authority	5,853	5,355
Cambridgeshire Fire Authority	2,052	1,897
Total	50,272	46,036

5 Provision for Non-Payment of Council Tax

A contribution of £514,061 was made to a provision for bad debts. During 2007/08, £389,861 of irrecoverable debts were written off (2006/07 £5,161).

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.

There was no balance on the Collection Fund relating to Community Charge at 31 March 2008.

The deficit of £293,463 at 31 March 2008 (£669,133 surplus at 31 March 2007), which related to Council Tax, will be recovered in subsequent financial years from Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

The total Collection Fund deficit/(surplus) is therefore shared as follows:

(£000s)	31 March 2008	31 March 2007
Cambridge City Council	34	(78)
Cambridgeshire County Council	213	(486)
Cambridgeshire Police Authority	34	(78)
Cambridgeshire Fire Authority	12	(27)
Total	293	(669)

Statement of Accounting Policies and Glossary of Financial Terms & 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 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.

3 Tangible Fixed Assets

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

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year.

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, but may still be financed from capital resources.

Expenditure that secures but does not extend the previously assessed standards of performance of assets (eg repairs and maintenance expenditure) is charged to revenue as it is incurred.

Measurement and valuation: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- ◆ Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value;
- ◆ Dwellings and other land and buildings – lower of net current replacement cost or net realisable value in existing use;
- ◆ Short life operational assets, such as vehicles, plant and equipment – historical cost less depreciation as a proxy for the lower of net current replacement cost and net realisable value in existing use;and
- ◆ Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- ◆ Non-specialised operational properties – existing use value;
- ◆ Specialised operational properties – depreciated replacement cost;and
- ◆ Investment properties and surplus assets – market value.

Assets in the Balance Sheet at current value are revalued where there have been material changes in the value, but at a minimum interval of every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

- ◆ Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- ◆ Otherwise – it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to HRA disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

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.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost (or 1 April 2007 value if earlier) being transferred each year from the Revaluation reserve to the Capital Adjustment Account.

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 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 completed fixed assets with a finite useful life, the amounts are credited to the Capital Grants and Contributions 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.

7 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 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.

8 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.

9 Stocks and Work 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.

10 Provisions 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.

11 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:

	Basis of Allocation
Support Services	
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	
Administrative Buildings	Area Occupied
Computing	Fixed cost element based on predicted consumption of resources plus actual cost of additional work undertaken.

12 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 51 to 58.

13 Financial Instruments

Initial Recognition

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

Initial Measurement

Financial assets and financial liabilities are initially measured at fair value less transaction costs that are directly attributable to the acquisition or issue of the asset or liability.

Subsequent measurement

Subsequent measurement of financial instruments is in accordance with their classification under the SORP.

Financial liabilities

There are two possible classifications:

Amortised cost – liabilities that are not 'held for trading', e.g operational creditors and borrowings

Fair value through profit and loss – liabilities 'held for trading'.

The Council currently only has liabilities carried at 'amortised cost.' Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

There are three possible classifications:

- ◆ Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market, e.g operational debtors and bank deposits.
- ◆ Available-for-sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments, e.g equity shareholdings and quoted investments.
- ◆ Fair value through profit and loss – assets ‘held for trading.’

The Council currently only has assets classified as ‘loans and receivables.’ This means that these assets are carried at their amortised cost. Annual credits to the Income and Expenditure account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

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

Any gains or losses that arise on the de-recognition (i.e disposal or maturity) of the asset are credited/debited to the Income and Expenditure account.

For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest and the interest credited to the Income and Expenditure account is the amount receivable for the year under the loan agreement.

14 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.

Derecognition

The term used for the removal of an asset or liability from the balance sheet.

Effective rate of interest

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Equity instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (e.g an equity share in a company.)

Fair Value

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

Finance Lease

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

Financial Asset

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

Financial Liability

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

Financial Instrument

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

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.

Impairment

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Operating Lease

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

Outturn

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

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

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Practice
FARA	Fixed Asset Restatement Account
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
LAAP	Local Authority Accounting Panel
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
SOLACE	Society of Local Authority Chief Executives and Senior Managers
SORP	Statement of Recommended Practice
SSAP	Statement of Standing Accounting Practice



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on tape or in another language, although this will take longer.

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