CAMBRIDGE
CITY COUNCIL

Annual Report & Statement of Accounts

for the year ending 31st March 2009

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

Cambridge City Council
Annual Report & Statement of Accounts
2008/09

Contents

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 122,800 residents in an almost entirely urban area. However, as part of the 'London-Stansted-Cambridge-Peterborough' Growth Area, that population is set to increase considerably, so that by 2021 the population of Cambridge and South Cambridgeshire is likely to be 33% higher than it was in 2000.

The City has a target to provide at least 19,000 new homes between 2001 and 2021. These new homes are planned mainly for sites on the southern, north west and eastern fringes of Cambridge. One of the effects of the current downturn in the economy has been to seriously set back the timetable for the delivery of this growth, with construction work on sites almost at a standstill. Cambridge, though, is predicted to weather the recession better than most cities and we anticipate development will resume as soon as the economic climate improves.

The Council employs around 1,250 full-time and part-time staff who provide a wide range of services for residents, local businesses, and people who work in and visit the City. We understand how important it is that we provide value for money in all the services we deliver, especially in these difficult economic times. 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 the City's parks and the Corn Exchange
- Awarding a wide range of grants to support local organisations and community groups
- Offering planning advice, progressing planning applications and making sure that 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 and managing elections and 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.

Council elections during the 2008/09 financial year resulted in no change in the Council's political leadership. The Council is currently made up of 28 Liberal Democrats led by Councillor Ian Nimmo-Smith, 11 Labour, one Conservative, one Green and one Independent councillor.

The Executive

The Executive is made up of the Leader of the Council and six executive councillors. Each Executive Councillor is responsible for a specific group of services. These are currently:

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

Executive Councillors can make decisions individually, usually at a meeting of a Scrutiny Committee that is relevant to their group of services. The appropriate Scrutiny Committee examines and comments on recommendations that lead to key decisions before the Executive Councillor makes the final decision. Executive Councillors also meet once a year to decide the overall budget to be recommended to the Full Council.

Committees and Council Meetings

The Council has three different types of committee where councillors make decisions on important issues that affect the City:

- Regulatory
- Scrutiny
- Area

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

Scrutiny Committees receive reports with background information and advice and guidance on issues where decisions need to be taken. Each committee comments on the content of reports and makes recommendations to the relevant Executive Councillor who considers these views before making their decision.

Area committees cover four geographical areas within the City of Cambridge – north, south, east and west/central. Their purpose is to take decision-making out into the community and to make it easier for people to have a say about decisions that affect them in their local area.

The Councils Objectives, Performance and Plans

The Council has four Medium-Term Objectives that determine how we prioritise the use of our resources. These objectives are also reflected in the Sustainable Community Strategy for Cambridge which sets out a vision of what the City Council and its partners from the public sector, the private sector and the voluntary and community sectors want to see happen in the City over the next two years to 2011.

In the following pages we tell you how we are performing against each of these objectives, what we have achieved over the past year and what our plans are for 2009/10.

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 2008/09 we:

- Implemented recycling provision at 25 blocks of flats with priority being given to large blocks first
- Installed a battery recycling bank at Mandela House and another in Budgens at Arbury Court
- Exceeded our target of 15% of cardboard and glass trade waste being recycled for the year by 7%
- Successfully trialled the netting of blue recycling boxes at 400 properties with the aim of reducing the amount of litter blown out
- Adopted a Climate Change Strategy for the City and launched a Climate Change Fund to help the City Council minimise its own impact on carbon emissions and climate change
- Set a target to reduce CO_2 emissions from the Council's own operations by 11% by 2010/11
- Installed solar hot water panels on Arbury Court public toilets and rainwater harvesting technology at Chesterton Road toilets

- Initiated a Green Fleet Review of the Council's fleet of 134 vans with the Energy Saving Trust and purchased three new electric vans for use by the Council's Street Scene team
- Received a Greener Festival accreditation for the Folk Festival
- Commissioned the Wildlife Trust to prepare a Management Plan for Midsummer Common

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- Invested £1.4 million in energy efficiency measures within Council housing stock, saving more than 7 million kWh of energy, 1600 tonnes of CO_2 and more than £290,000 in energy costs

- Worked with the Cambridge Housing Society to develop a zero carbon affordable housing scheme on the Simon's House sheltered scheme site.

Our plans for 2009/10 include:

- Encouraging and promoting recycling in student accommodation

- Encouraging improved energy efficiency in private housing through the use of grant money, an accreditation scheme for landlords and identifying and implementing two Energy Action Zones in the City

- Carrying out a full review and assessment of air quality in the City

- Reducing the carbon footprint of the communal areas in our housing stock by improved monitoring and control of heating and lighting

- Reducing the level of carbon emissions in the building of new affordable housing

- Organising and running events for the Cambridge Environment Festival 2009

- Completing work on the Meadow's Community Centre that will improve its environmental performance by up to 30%

- Organising recycling and conservation projects in four neighbourhoods

- Install rainwater harvesting at a further two public toilet sites

- Working with Cambridgeshire county-wide partnerships for climate change, recycling and biodiversity

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

During 2008/09 we:

- Successfully integrated Revenues and Benefits, Home-Link, Housing Options and Advice, Electoral Services, Switchboard and Environmental Services into the Customer Service Centre

- Answered over 14,000 emails within 4 hours of receiving them and answered 84% of switchboard calls within 15 seconds

- Responded to 331 Freedom of Information requests compared to 133 in 2007/08
- Introduced a new more user-friendly design for the Council's website and received an 'excellent' rating for usability from the Society of Information Technology Management
- Were assessed by the Audit Commission as achieving a 'good service' with 'excellent prospects for improvement' rating for our Landlord Services
- Improved the average time taken to process new Housing Benefit and Council Tax claims and changes of circumstances to 18.5 days
- Achieved Charter for the Bereaved status for our cemeteries and the Crematorium and expanded the choice of memorials available

Our plans for 2009/10 include:

- Bringing all remaining services into the Customer Services Centre by the end of 2009
- Consulting on, reviewing and renewing the Council's customer service standards
- Completing a review of the Corn Exchange
- Redeveloping part of the ground floor of the Guildhall to create a new Tourist Information Centre and shop, coffee shop and visitor experience
- Creating a new Box Office for the Corn Exchange on Wheeler Street
- Increasing the range of information and services to Housing tenants that are available on the website
- Monitoring the Home-Link choice based lettings scheme to ensure that it is reaching ethnic minority, vulnerable and hard-to-reach groups effectively
- Refurbishing the Brandon Court sheltered housing scheme
- Making our racial harassment service available to migrant workers

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

During 2008/09 we:

- Successfully delivered the Heart of the World cultural diversity festival in partnership with others

- Completed major recreation ground improvements at Thorpe Way, Histon Road, and Ramsden Square

- Implemented a summer Street Games programme with approximately 1,000 participants
- Coordinated the Best 8 event at Chesterton Sports centre to celebrate the 2008 Paralympics and highlight pathways and support for young people with disabilities in sport
- Implemented a new programme to support allotment holders, sites and societies
- Made improvements to our council homes so that 92.1% now meet the government's 'Decent Homes' standard and are on course for this to be 100% by 2010
- Targeted zero and one star food premises to bring about improvements in food safety
- Obtained a grant to fund a Health Promotion Coordinator
- Developed joint working arrangements with the police on handling dangerous dogs and stray dogs outside normal hours and at weekends

Our plans for 2009/10 include:

- Working with the Primary Care Trust to increase the numbers of smokers who wish to quit in particular targeting workplaces and locations where there are a high number of smokers
- Implementing an extended GP Exercise Referral programme
- Improving arrangements for tackling incidents of domestic violence, racial harassment and hate crime more effectively
- Reviewing how we manage anti-social behaviour cases to make sure that they are dealt with consistently
- Aiming to achieve the Government's target of a 50% reduction in the use of temporary accommodation to house people by 2010
- Implementing measures to try to reduce the number of people who become homeless as a result of the economic downturn
- Working with partner organisations to confirm the need for additional gypsy and traveller sites in Cambridge and agree the criteria for selecting sites
- Producing a five-year Arts Strategy for Cambridge
- Working with Cambridge University on its 800th anniversary celebrations

- Increasing by 3% the number of visits to neighbourhood community centres by groups who tend to use them least

- Undertaking a study of the need for community facilities in the Abbey area with Abbey Action and other interested groups

- Consulting with the Area Committee for the East of the City on the use of money provided by developers for community development in the area

- Launching, with the Cambridgeshire Community Foundation, the Cambridge City Fund to provide a sustainable source of funding for voluntary work in the City

- Supporting the Cambridge Celebrates Age Project, in particular activities that encourage contact between generations

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 2008/09 we:

- Were allocated £1.5 million of Housing Growth Fund money for the fringe development sites around the City

- Adopted a Quality Charter for Growth for the City

- Issued more than 14,500 National Concessionary Fares bus passes in the first year of the scheme

- Adopted the Cambridge Area East Action Plan and progressed the North West Cambridge Area Action Plan to the public examination stage

- Produced a Developers' Guide to Air Quality

- Successfully opened the new Grand Arcade car park and refurbished Annex

- Achieved the Park Mark Safer Parking award for Castle Hill surface car park

- Completed the refurbishment of Grafton East car park

- Were designated a Cycling Demonstration Town by Cycling England and were awarded £3.6 million for the further support and development of cycling in the

City which is being match funded by Cambridgeshire County Council and developers

Our plans for 2009/10 include:

- Working with developers and other partners to provide public art projects
- Developing an investment programme to support existing and new community sport facilities
- Investigating ways of increasing allotment provision in the City and reducing the waiting list for an allotment
- Working with residents in areas of the City affected by new housing development and growth to encourage good community relations between existing and new communities

How do we compare?

In 2008/09 the City Council began collecting a new set of national performance indicators called the National Indicator Set (NIs). These indicators have been introduced by government as part of a new performance framework for local authorities and our partners such as the police and health service, called Comprehensive Area Assessment. This means that we cannot compare some of our performance indicator data for 2008/09 against previous years' data to measure how we are progressing, because the indicators are no longer the same or are calculated differently. For many of our performance indicators 2008/09 data will set a baseline against which we can measure our progress in future years.

Information that allows us to compare our performance against that of other district councils is not yet available for 2008/09.

One of the service areas that is a priority for the Council is waste minimisation and recycling, and this is an area where we continue to perform well.

Indicator	Our performance in 2006/07	Our performance in 2007/08	Our performance in 2008/09
Percentage of waste reused, recycled and composted	39.63%	41.52%	41.26%

The City Council, together with our partners, has a substantial work programme to deliver the government's agenda for growth in the sub-region centred in and around Cambridge. The recent economic downturn has slowed the development of new housing but we fully expect building work to increase when the economic climate improves.

Indicator	Our performance in 2006/07	Our performance in 2007/08	Our performance in 2008/09
Additional homes provided (net)	662	523	366
Number of affordable homes	173	70	128

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An area where we continue to perform less well is the time taken to process planning applications. The growth of the City places considerable demands on our planning resources. We anticipate that recent restructuring of our planning teams to make better use of resources will result in improvements to our performance next year.

What do residents say about our services?

In the autumn of 2008 the Council conducted two surveys. These surveys were required by government as part of the new national framework for assessing how local authorities perform.

Place Survey - 2008

1,124 Cambridge citizens replied to a postal survey asking them for their views on the City as a place to live and their satisfaction with the Council and the services we provide.

- 87% of respondents expressed satisfaction overall with the local area as a place to live

- 86% agreed that their local area is a place where people from different backgrounds get on well together

- 77% of respondents told us that they were treated with respect and consideration by local public services ‘all’ or ‘most’ of the time

- 50% of respondents told us that they were satisfied with the way the City Council runs things, which was the highest score for all the local authorities in Cambridgeshire

- 41% of respondents agreed that the City Council provides value for money and this was also the highest score for all the local authorities in Cambridgeshire. However, 32% neither agreed nor disagreed which suggests that we need to do more to inform people about Council spending

- Only 39% agreed that they could influence decisions in their locality but the City Council was still ranked 6th highest of all local authorities. Despite the economic downturn there continues to be significant development and change in the City, and we are actively working to ensure that our citizens are more informed about and involved in the decisions that affect their lives.

When asked about how satisfied they were with services provided or supported by Cambridge City Council, survey respondents told us that they were most satisfied with:

- Parks and open spaces (83%)
- Refuse collection (70%)
- Doorstep recycling (69%)
- Museums and galleries (68%)
- Theatres and Concert Halls (68%)
- Keeping the land clear of litter and refuse (63%)

Services that were felt to be in most need of improvement included:

- Level of traffic congestion (51%)
- Cycle lanes (48%)
- Activities for teenagers (32%)
- Road and pavement repairs (32%)
- Affordable decent housing (29%)

Most of these areas for improvement cannot be tackled by the City Council on its own. We need to work with our partner organisations in the public, private and third sectors to bring about real change.

Tenant Satisfaction Survey – 2008

The City Council retains a housing stock of over 7,400 properties. In the autumn of 2008, council tenants were sent a postal survey asking them about their satisfaction with housing services and what were the main areas for service improvement. 1,136 tenants replied.

- Overall satisfaction with services provided was 82%, a 4% improvement on the response to the same question asked in 2006

- Satisfaction with repairs and maintenance rose to 76% in 2008 from 70% in 2006

- 82% of tenants expressed overall satisfaction with services provided by the landlord (the City Council)

- 65% of tenants expressed overall satisfaction that their views were being taken into account

We asked tenants about those services they thought were most important. They told us that these were:

- Repairs and maintenance (81%)
- Overall quality of their home (56%)
- Dealing with anti-social behaviour (38%)

When asked about the problems in their neighbourhood, tenants identified the following as being fairly or very big problems:

- Car parking (37%)
- Rubbish and litter (31%)
- Noisy neighbours (24%)
- Disruptive children and teenagers (24%)
- Drug dealing and use (24%)

We will be looking to see how we can make improvements in these areas of concern during 2009/10.

How to find out more

Further information about the Council's performance and the Council's priorities for 2009/10 is available in our Service Plans and Improvement Plans 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.

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 Chief Executive, 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 2009 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 Performance Management process which reviews and reports on performance against the Council's MTOs.

- 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.

- Responsibilities of Civic Affairs Committee, which include 'overall responsibility for the Council's compliance with laws and regulations'.

- 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.

- 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.

- The Confidential Reporting ('Whistleblowing') Policy, which is in place and available on the Council's intranet.

- 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 was 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 and Place Survey, which are undertaken to gauge the public's perception of Council services and whether the Council provides value for money.

- The 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.

- A new framework to guide the Council's engagement with the new County-wide partnership structure that will ensure the Council's partnerships are accountable and effective.

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 kept informed of the work of Internal Audit where significant control weaknesses are identified and a Members' Internal Audit newsletter is made available to 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 Internal Audit, the Council's Risk Management Group and Corporate Management Team at five key points during the Corporate Planning and Decision Making cycle, 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 as part of the Annual Governance Statement process.

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

Members of Civic Affairs Committee are kept informed of significant control weaknesses identified during an audit by the Head of Internal Audit. Currently there is no system in place for regularly providing information to Members on the work of the Internal Audit team to keep them informed of Internal Audit activities.

Action

[Target date & Officer Responsible]

- Internal Audit to investigate the development of a dedicated web-page for Members' use for holding copies of Internal Audit reports to keep them informed of the outcome of Internal Audit activities.

  Head of Internal Audit
  30/09/2009

2 Issue

The introduction of the new National Indicator set has meant that in certain service areas there was some duplication of local Performance Indicators (PIs), Medium Term Objective Performance Indicators (MTOPIs) and the new national indicators. A comprehensive review of performance indicators included in service plans was conducted as part of the 2009/10 service planning process, but further review is necessary for 2010/11.

Actions

[Target date & Officer Responsible]

- Undertake a further review of the local PIs, MTOPIs and national indicators to be included in 2010/11 Service Plans.

  Performance Manager/Heads of Service
  31/12/2009

3 Issue

A new framework has been agreed to guide the City Council's engagement with the new County-wide partnership structure to ensure that our partnerships are accountable and effective.

Actions

[Target date & Officer Responsible]

- Monitor implementation of the agreed framework.

  Head of Strategy & Partnerships
  31/07/09

4 Issue

As part of the new framework identified in 3 above, a common approach to risk management needs to be developed.

Action

[Target date & Officer Responsible]

- A County-wide Risk Management process to be developed in conjunction with the County Council, Cambridgeshire Constabulary and other partners.

  Support Services Manager
  31/12/2009

5 Issue

Partnership arrangements are reviewed in terms of risk before being entered into and risk assessments are regularly reviewed. This process needs formalising to allow further embedding of the risk management process.

Action

[Target date & Officer Responsible]

- Partnership risk management procedures to be established and reflected in the Council's risk register.

  Risk Management Officer and Head of Strategy & Partnerships
  31/12/2009

6 Issue

As a result of the Folk Festival on-line Ticketing review a number of corporate issues were identified as requiring review. These covered the following areas:

- Project Management Guidelines;
- Training on risk management and risk identification;
- Contract Procedure Rules; and
- Procurement training requirements.

A decision was also taken to set up a Member level Committee of Inquiry.

Action

[Target date & Officer Responsible]

- Project management guidelines to be reviewed and updated to reflect the current risk management and procurement processes and then to be re-launched across the Council.

  Head of Strategy & Partnerships
  31/03/2010

Action

[Target date & Officer Responsible]

- Refresher training to be provided to Arts & Entertainment staff, and then across the Council, on risk identification and risk management.

  Risk Management Officer

  31/10/2009

Action

[Target date & Officer Responsible]

- As part of the review of the Council's Constitution, the Contract Procedure Rules to be reviewed and updated.

  Strategic Procurement Advisor

  31/10/2009

Action

[Target date & Officer Responsible]

- Identify procurement training needs across the Council and deliver these training requirements.

  Heads of Service/Strategic Procurement Advisor

  30/09/2009

Action

[Target date & Officer Responsible]

- Identify job roles that need to incorporate procurement as a key skill

  Heads of Service/Strategic Procurement Advisor

  30/09/2009

Action

[Target date & Officer Responsible]

- Implement the recommendations arising from the Committee of Inquiry

  Director of Customer and Democratic Services

  31/03/2010

7 Issue

The Folk Festival on-line Ticketing Review also highlighted the need for the Internal Audit Plan to include coverage of key procurement exercises taking place across the Council, with particular reference to those that are not represented on the Council's risk register. The 2009/10 Internal Audit Plan includes wide coverage of a range of procurements across the Council and the plan has been approved by Civic Affairs.

Action
[Target date & Officer Responsible]

- Internal Audit to complete reviews of the key procurement exercises taking place across the Council, as part of the 2009/10 Internal Audit Plan.

  Head of Internal Audit
  31/03/10

8 Issue

The Council's Confidential Reporting (Whistleblowing) Policy has not been formally reviewed for a number of years and the Folk Festival on-line Ticketing review raised questions about the extent to which staff are familiar with its content and how confident they would be in using it.

Action
[Target date & Officer Responsible]

- Full review and re-launch of the Council's Confidential reporting (Whistleblowing) Policy to be undertaken.

  Head of Internal Audit/Monitoring Officer/Head of Human Resources
  30/09/09

9 Issue

The presentation and drafting of the Council's Constitution require review and updating.

Action
[Target date & Officer Responsible]

- Undertake a review of the Council's Constitution.

  Head of Legal Services/Democratic Services Manager
  30/04/10

10 Issue

A Business Continuity Plan for the Council exists, together with service level continuity plans, but these require review.

Action
[Target date & Officer Responsible]

- Review, update and improve the Council's Business Continuity Plan and procedures and the format for Service Continuity Plans. Revised service plan templates to be rolled out as and when reviewed by departments.

  Support Services Manager/Health & Safety Management Advisor/Risk Management Officer
  31/10/09

11 Issue

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

Action

[Target date & Officer Responsible]

- Develop and adapt the Members Training Programme to provide support to Members in fulfilling their various roles, including maintaining a register of Member training.

  Democratic Services Manager
  30/09/09

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: 17 September **2009**

Antoinette Jackson
Chief Executive
Date: 21.09. **2009**

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 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the 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 49 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 Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority 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 Explanatory Foreward and the content of 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, 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 Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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/other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Cambridge City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Debbie Hanson
District Auditor

Date 23 September 2009

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 2008/09. Cambridge City Council is a large organisation, employing the equivalent of just over 1,000 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 9 to 80 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 2008/09

The significant downturn in the national and international economies has provided a very challenging financial environment for the Council in 2008/09. Effects have been most marked in relation to the dramatic fall in interest rates during the year and the slowdown in the housing market, leading to significant reductions in income to the Council. Budgets were reviewed and revised during the year to reflect these changing circumstances.

The City Council was one of the 127 English local authorities affected by the collapse of Icelandic banking institutions with a total of £9 million in short term investments with two of the affected banks (Landsbanki Islands hf and Heritable Bank Plc). The security of these investments is still uncertain at this time and the Council may not recover all of its investments. Although the final extent of any financial loss is unknown, the prospects for recovery (albeit over an extended period) of a substantial proportion of these investments appear positive. In drawing up these accounts, the Council has followed the detailed guidance issued by the CIPFA Local Authority Accounting Panel in relation to the anticipated recovery of these deposits and in terms of the valuation shown in the accounts. Further information can be found in notes 31 and 54.

Just as seen in the private sector, the effects of the economic climate on the values of Council-owned property are reflected in these accounts. Further information about the valuation of assets, and how reductions in their value must be accounted for, can be found in the Statement of Accounting Policies section of this publication.

Other financial pressures have included a poor Government Grant Settlement with an increase of just 1% in grant (well below the prevailing rate of inflation) and significant additional costs arising from the introduction of a new national concessionary bus fares scheme. In addition, the failure of one of the Council's suppliers to pay over to the Council income from the sale of Folk Festival tickets has necessitated an additional provision to be made for bad debts of £618,000.

Despite these financial pressures it is pleasing to note that:

- The Council continued its programme of major investment in the provision and improvement of face-to-face and telephone services to the public. The new Customer Service Centre opened to the public in April 2008 and further services will transfer to the Centre during 2009/10. 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.

- A number of service reviews undertaken during 2008/09 have identified worthwhile on-going savings for the Council which will support the Council's financial position going forward.

- The Council has been successful in reclaiming £2.3 million of VAT, following changes (by the then HM Customs & Excise) in VAT liability on certain cultural, sporting, transport and environmental activities and a decision by the House of Lords to allow backdating of such claims to 1973.

- Major investment continued to be made in the repair and improvement of council houses towards achieving the required 'Decent Homes' standard by 2010.

- 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. A joint report from the Treasury and Department of Communities and Local Government Ministers on the outcome of the review of council housing finance is awaited.

- In its annual audit and inspection letter dated March 2009, presented to members in May, the Audit Commission gave top marks to the City Council for its Financial Reporting and Financial Management and an overall score of level 4 in the 2007-08 'Use of Resources' assessment, representing an excellent level of performance.

Revenue Spending and Income

General Fund Services

For 2008/09, the Council agreed a budget for net spending on services of £18.4 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 £155.51 for

Band D properties, an increase of 4.9% over the previous year. The table below compares the final outturn figures with those originally planned.

(£000s)	Original Budget	Actual	Difference
Net General Fund Revenue Spending	17,326	16,893	(433)
Capital Spending funded from General Fund Reserve	6,361	3,525	(2,836)
Contribution to/(from) General Fund Reserve	(5,256)	(1,434)	3,822
Total	**18,431**	**18,984**	**553**
Financed by:			
Government Grant	1,505	2,058	553
Share of NNDR	10,810	10,810	0
Council Tax	6,116	6,116	0
Total	**18,431**	**18,984**	**553**

The Council's actual net revenue spending on services was £433,120 below the original budget. However, net spending was impacted by a one-off exceptional item of income of £2,349,129, relating to the successful reclaim of VAT relating to earlier years. Excluding this sum, net expenditure would have exceeded the original budget by £1,916,009 reflecting the changing economic climate and its adverse impact on the Council's finances. The total amount of capital expenditure funded from revenue was £2,835,843 less than originally provided for, largely reflecting slippage on capital projects. Together with the award of additional grants of £553,432 from central government during the year, the resulting overall use of General Fund Reserves was £3,822,231 less than originally planned.

The net use of General Fund Reserve for the year was £1,433,719. At the end of the year, the Council's General Fund Reserve stood at £12.18 million. This reserve provides financial flexibility to the Council for meeting exceptional and/or unanticipated items and is used to support the Council's capital investment programme.

Housing Revenue Account

The Housing Revenue Account budget was agreed at the start of the 2008/09 financial year, to deliver a sustainable HRA over the longer term. Part of the longer term budget strategy has been to release HRA reserves over a period of years at the rate of £500,000 per annum, until reserves reach our target level of £3,000,000. This strategy enables additional revenue contributions to capital, enabling additional capital investment in our housing stock over the medium term, assisting in meeting the decent homes target by 2010 and also allowing for discretionary investment in our housing stock.

In July 2008 approval was sought to use carried forward resources of £595,240 to fund expenditure re-phased from 2007/08. A large proportion of this sum related to corporate investment in respect of the Customer Access Project, creating the Council's new Customer Service Centre. Meeting these costs resulted in an expectation to utilise a total of £1,095,240 reserves in 2008/09.

In January 2009, the anticipated use of reserves for 2008/09 was reduced to £923,020, as part of the revised budget process, with both rental income and interest receipts higher than originally expected.

At outturn, the HRA reported a use of reserves of £533,404, with requests to carry forward funding of £370,970 to 2009/10, reflecting re-phasing of a number of projects. The net use of reserves, therefore, will equate to £904,374, with a net underspending of £18,646 against the revised budget for the year.

The Housing Revenue Account reserves stood at £6.1 million at the year-end.

Capital Spending and Receipts

In 2008/09 the Council spent £25.3 million on capital projects. Of this expenditure £12.5 million was on major repairs and improvements to council dwellings. The other main areas of capital expenditure were:

- Development of commercial land & property - £2.7 million
- Infrastructure works to Grafton East and other car parks - £2.58 million
- Support to RSLs in the development of new social housing - £1.98 million
- Leisure and community facilities - £1.21 million
- Repairs assistance and disabled facilities grants - £0.91 million
- Environmental improvements - £0.71 million
- Vehicles and equipment - £0.6 million

Capital receipts continue to be generated, although at a much slower rate than in previous years, 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 £1.5 million of the total receipts of £2.2 million in the year.

External Borrowing

The Council remained debt-free at 31 March 2009.

Pension Costs

Information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented on pages 45 to 50. The Council's share of the assets and liabilities of the County pension fund show an estimated net liability of £43.6 million at 31 March 2009. This liability has no impact on the level of the Council's available reserves.

Changes in Accounting Policy

In line with the SORP 2008 and related CIPFA guidance, the Council has changed a number of Accounting Policies. The impact of these changes is detailed in Note 40 to the Accounts, starting on page 39.

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 and on the Council's web site.

Opinion

In my opinion the Statement of Accounts present fairly the financial position of Cambridge City Council at 31 March 2009 and its income and expenditure for the year then ended.

David Horspool
Director of Finance
Date: 23 September **2009**

Signed on behalf of Cambridge City Council:

I confirm that the audited accounts were approved by the Civic Affairs Committee held on the 23 September 2009.

Councillor R A Boyce
Chair of Civic Affairs
Date: 23rd Sept **2009**

CAMBRIDGE
CITY COUNCIL

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 2009. 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)	Note	Gross Expenditure	Gross Income	2008/09 Net Expenditure	2007/08 Net Expenditure (as restated)
Service expenditure & income	1				
Central services to the public		8,274	(6,477)	1,797	1,753
Cultural, environmental, regulatory and planning services		43,432	(20,174)	23,258	14,833
Highways and transport services		8,338	(7,715)	623	(87)
Local authority housing (HRA)		81,201	(30,377)	50,824	4,368
Other housing services		36,260	(33,305)	2,955	3,128
Corporate and democratic core services		3,037	(46)	2,991	2,569
Exceptional income on settlement of VAT claim	1	0	(2,349)	(2,349)	0
Non distributed costs		4,021	0	4,021	130
Net cost of services		**184,563**	**(100,443)**	**84,120**	**26,694**
(Surplus)/Deficit on disposal of assets				2,859	(2,915)
Other income				(54)	(212)
(Surpluses)/deficits on trading undertakings not included in net cost of services	2			(287)	(297)
Interest payable and similar charges				58	601
Impairment of investments	31			2,634	0
Amounts payable into the Housing Receipts Capital Pool				660	4,119
Interest and investment income				(4,405)	(4,789)
Pensions cost and expected return on pensions assets				1,709	(160)
Net operating expenditure				**87,294**	**23,041**
Income from the Collection Fund including transfers to/from the Collection Fund				(6,116)	(5,830)
General government grants	3			(2,058)	(3,317)
Distribution from non – domestic rates pool				(10,810)	(10,380)
Net (Surplus) / Deficit for the year				**68,310**	**3,514**

David Horspool
Director of Finance

23 September 2009

Main Financial Statements

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**	**2008/09**	**2007/08 (as restated)**
(Surplus) / Deficit for the year on the Income and Expenditure Account		68,310	3,514
Net additional amount required by statute and proper practices to be debited or credited to the General Fund balance for the year	16	(66,876)	(4,812)
(Increase) / Decrease in General Fund balance for the year		**1,434**	**(1,298)**
General Fund balance brought forward		**(13,617)**	**(12,319)**
General Fund balance carried forward		**(12,183)**	**(13,617)**

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	2008/09	2007/08 (as restated)
(Surplus) / Deficit on the Income and Expenditure Account for the year		68,310	3,514
Movement on the Collection Fund balance attributable to the Council		37	112
(Surplus) / Deficit arising on the revaluation of fixed assets	53	12,197	(29,303)
Actuarial (gains)/losses on Pension Fund assets and liabilities	46	14,816	(10,113)
Total recognised (gains) / losses relating to the year		**95,360**	**(35,790)**
Prior period adjustment recognised in 2007/08			(454)
Prior period adjustment recognised in 2008/09	40		590
Adjustments to opening balances in respect of Financial Instruments Adjustment Account			2,930
Total (gains) / losses recognised since Statement of Accounts 2006/07			**(32,724)**

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 £778,963,000. This is as a result of a prior period adjustment as reported in the 2007-08 accounts and an adjustment in the 2008-09 accounts in respect of the pensions reserve as explained in Note 40.

Balance Sheet

This summarises the overall financial position of the Council at the 31 March 2009 showing its assets, liabilities and reserves.

(£000s)	Note	31 March 2009	31 March 2008 (restated)
Intangible assets	17	**595**	**254**
Tangible fixed assets			
Council dwellings		528,273	589,901
Other land & buildings		94,041	88,262
Vehicles plant & equipment		6,969	4,651
Infrastructure assets		812	568
Community assets		702	738
Operational assets		**630,797**	**684,120**
Investment properties		80,870	90,175
Assets under construction		603	2,780
Surplus assets held for disposal		7,956	11,772
Non operational assets		**89,429**	**104,727**
Total tangible fixed assets	18-19	**720,226**	**788,847**
Long term investments	26	5,262	0
Long term debtors	27	1,824	952
Total long term assets		**727,907**	**790,053**
Current assets			
Stocks and work in progress	28	354	358
Debtors	29	16,474	14,809
Investments	30-31	55,679	70,022
Cash in hand and bank		928	336
Total current assets		**73,435**	**85,525**
Current liabilities			
Creditors	32	(15,436)	(14,642)
Receipts in advance	33	(6,680)	(5,352)
Total current liabilities		**(22,116)**	**(19,994)**
Current assets less current liabilities		**51,319**	**65,531**
Total assets less current liabilities		**779,226**	**855,584**
Creditors due after more than one year	34	(3,749)	(2,646)
Capital contributions unapplied	35	(4,556)	(3,896)
Capital contributions/grants deferred	36	(10,419)	(9,903)
Provisions	37	(466)	(477)
Pension liability	48	(43,573)	(26,839)
Total assets less liabilities		**716,463**	**811,823**
Financed by:	51		
Collection Fund deficit/(surplus)		71	34
Capital receipts deferred	52	(918)	(179)
Revaluation reserve	53	(15,940)	(29,303)
Financial instruments adjustment account	54	4,043	2,406
Capital adjustment account	55	(696,507)	(751,825)
Capital Receipts reserve	56	(13,719)	(21,750)
Pensions reserve	57	43,573	26,839
Earmarked reserves	58	(18,826)	(17,837)
General Fund		(12,183)	(13,617)
Housing Revenue Account		(6,057)	(6,591)
Total equity	59	**(716,463)**	**(811,823)**

These financial statements replace the unaudited financial statements authorised at the meeting of Civic Affairs on 24 June 2009.

David Horspool
Director of Finance **23 September 2009**

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	**2008/09**	**2007/08 (as restated)**
Net cash flow from revenue activities	61	**(7,543)**	**822**
Returns on investments and servicing of finance			
Cash outflows			
Interest paid		40	40
Interest on finance lease payments		2	2
Cash inflows			
Interest received		(4,125)	(4,832)
Returns on investment & servicing of finance net cash outflow		**(4,083)**	**(4,790)**
Capital activities			
Cash outflows			
Capital expenditure		23,490	17,791
Purchase of long-term investments		5,000	0
Cash inflows			
Capital receipts		(2,352)	(9,309)
Capital grants		(1,610)	(324)
Other capital contributions		(1,794)	(1,284)
Capital activities net cash outflow		**22,734**	**6,874**
Net cash outflow/(inflow) before financing		**11,108**	**2,906**
Management of liquid resources			
Short term investments	62	(11,700)	(5,240)
Financing			
Net repayment of temporary loans	62	0	1,430
(Increase)/decrease in cash	**64**	**(592)**	**(904)**

Notes to 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.

The Council submitted claims for the repayment of over declared VAT (due to HMRC liability errors) following the outcome of the Fleming/Conde Nast legal cases. This allowed claims to go back to 1973 when VAT was first introduced in the UK. During summer 2009 settlement was reached in respect of these claims and the accounts have therefore been adjusted to reflect the income due as set out below:

(£000s)	**2008/09**
Claims in respect of:	
Cultural and environmental services	(2,248)
Transport services	(101)
Total	**(2,349)**

As this income is exceptional in nature it has been separately disclosed.

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)	**2008/09**	**2007/08**
Income	(679)	(609)
Fixed asset impairment	193	0
Expenditure	299	260
(Surplus)	**(187)**	**(349)**

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

(£000s)	**2008/09**	**2007/08**
Income from tenants	(6,314)	(6,844)
Fixed asset impairment	7,044	0
Expenditure	1,123	1,105
Deficit/(Surplus)	**1,853**	**(5,739)**

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. Although there is a deficit this year the accumulated deficit on building control is currently less than £1,000. 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
2008/09

(£000s)	**2008/09** Chargeable	**2008/09** Non Chargeable	**2008/09** Total Building Control	**2007/08** Total Building Control
Expenditure				
Employees	327	161	488	513
Transport	3	1	4	5
Supplies and Services	41	30	71	88
Central and Support Service Charges	135	86	221	218
Total Expenditure	**506**	**278**	**784**	**824**
Income				
Building Regulation Charges	(490)	0	(490)	(529)
Miscellaneous Income	0	(2)	(2)	(1)
Total Income	**(490)**	**(2)**	**(492)**	**(530)**
(Surplus) / Deficit	**16**	**276**	**292**	**294**

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, grounds maintenance, refuse collection, building and other cleaning.

(£000s)	**2008/09**			**2007/08**		
	Income	Expenditure	(Surplus)/ Deficit	Income	Expenditure	(Surplus)/ Deficit
Building services	(11,106)	11,021	(85)	(11,055)	10,963	(92)
Waste services	(4,888)	4,812	(76)	(4,242)	4,161	(81)
Streetscene services	(5,101)	4,987	(114)	(4,932)	4,779	(153)
Other services	(1,825)	1,813	(12)	(2,006)	2,035	29
Total	**(22,920)**	**22,633**	**(287)**	**(22,235)**	**21,938**	**(297)**

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 £6,687 (£1,795 in 2007/08), Waste Services a deficit of £143 (a surplus of £626 in 2007/08), Streetscene a surplus of £17 (£32,449 in 2007/08) and other services a deficit of £14,757 (£47,998 in 2007/08).

3 General Government Grants

General grants due to the Council in 2008/09 were

(£000s)	2008/09	2007/08
Revenue Support Grant	1,505	1,742
Local Authority Business Growth Incentive	531	1,575
Area based grant	22	0
Total	**2,058**	**3,317**

4 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). Prior to 31 March 2008, local authorities had to use a regulatory formula to calculate the yearly amount but are now bound by a statutory duty to make provision for a prudent level of MRP. MRP 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)	2008/09	2007/08
Statutory MRP	0	0
Depreciation and amortisation charge	2,676	2,969
Net Impairment charge	60,738	493
(Credit) to General Fund	**(63,414)**	**(3,462)**
Net MRP	0	0

5 Section 137 Expenditure

Section 137 of the Local Government Act 1972, 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 £264 in 2008/09 (£603 in 2007/08), 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 £7,585 in 2008/09 (£8,355 in 2007/08).

6 Publicity Expenditure

Section 5 of the Local Government Act, 1986, requires local authorities to disclose expenditure on publicity in the financial year. In 2008/09 the Council spent £594,990 (£653,690 in 2007/08). The expenditure is incurred by advertising for staff, discretionary and mandatory advertising and publicity in connection with various Council activities.

7 Agency Services

The Council operates Local Authority Parking Enforcement (LAPE) on behalf of Cambridgeshire County Council. The total cost in 2008/09 was £1,407,711 (£1,322,693 in 2007/08) of which the County reimbursed £277,100 (£418,910 in 2007/08). The net surplus, after external parking charges income, was £112,322 (£288,649 in 2007/08). Of this surplus, £56,162 (£144,325 in 2007/08) was returned to the County and the remaining £56,160 (£144,324 in 2007/08) 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 2008/09 of £1,288,743 (£1,333,886 in 2007/08) from parking charges was reimbursable to the County Council.

Following the transfer of the City Council Engineering function to Cambridgeshire County Council from 1 April 2005, an agency agreement has been in operation for the delivery of highway functions and services. Total reimbursable expenditure due to the County Council for City Council functions performed by it in 2008/09 was £39,112 (£212,366 in 2007/08). Total reimbursable expenditure due to the City Council for County Council functions performed by it in 2008/09 was £164,817 (£161,793 in 2007/08).

8 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 2008/09 the City Council received income of £2,333,031 (£2,267,199 in 2007/08) for services provided to Housing Associations, Trusts and other local authorities. The expenditure incurred in 2008/09 was £2,216,689 (£2,137,314 in 2007/08).

9 Pension Costs

Details of pension costs are included in the notes on Pensions Costs, Assets & Liabilities starting on page 45.

10 Members' Allowances

The total allowances paid to members during the Municipal year 2008/09 were £243,422 and they were also reimbursed for expenses of £2,836. Allowances paid in 2007/08 were £236,924. Details of payments to individual members are published annually in the local newspaper.

11 Operating Leases

The Council made the following payments under operating leases in 2008/09:

(£000s)	2008/09	2007/08 (restated)
Buildings	382	356
Equipment	52	22
Total	**434**	**378**

The 2007/08 figure for payments made under building operating leases has been restated by £123,000 from that previously published to reflect leases previously excluded in error.

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 £6.1 million in 2008/09, (£6.7 million in 2007/08).

12 Finance Leases

The Council also holds assets under finance leases. Payments in 2008/09 amounted to £2,247 (£2,247 in 2007/08) and all relate to buildings.

13 Related Party Transactions

The Council is required to disclose material transactions with related parties. Related parties are 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 note 60 to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. During 2008/09 the Council gave grants totalling £241,932 (£508,454 in 2007/08) to voluntary organisations in which 16 members had an interest. £15,000 of these grants were outstanding at the year end. The relevant members did not take part in any discussion or decision relating to the grants. In addition one of these organisations has a long term loan from the Council as disclosed in Note 27 to the accounts.

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

14 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.

	2008/09	2007/08
£50,000 - £59,999	8	9
£60,000 - £69,999	7	6
£70,000 - £79,999	1	1
£80,000 - £89,999	4	3
£110,000 - £119,999	0	1
£120,000 - £129,999	1	0

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.

15 Audit Costs

In 2008/09 Cambridge City Council incurred the following fees relating to external audit and inspection.

(£000s)	2008/09	2007/08
Fees payable to the Audit Commission in respect of:		
External audit services carried out by the appointed auditor	105	103
Fees payable in respect of statutory inspection	17	7
Certification of grant claims and returns	30	20
Fees payable in respect of other services	3	0
Total	**155**	**130**

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

(£000s)	2008/09		2007/08 (as 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	(63,414)		(8,206)	
Excess of depreciation charged to HRA services over the Major Repairs Allowance	(3,125)		(2,607)	
Government grants deferred amortisation	472		432	
Write downs of revenue expenditure funded from capital under statute and de minimis capital expenditure to be financed from capital resources	(4,104)		(1,799)	
Capital contributions for revenue expenditure funded from capital under statute and de minimis capital expenditure	2,662		677	
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	28		(24)	
Exceptional impairment of investments	(2,634)		0	
Reversal of net surplus or deficit on sale of fixed assets	(2,859)		2,924	
Miscellaneous capital receipts	54		212	
Net charges made for retirement benefits in accordance with FRS17	(6,452)		(4,735)	
		(79,372)		**(13,126)**
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		545	
Interest on impaired investments	425		0	
Capital expenditure charged to the General Fund balance	5,776		3,942	
Capital expenditure charged to the Housing Revenue Account balance	1,421		3,168	
Transfer from Capital Receipts reserve to meet payments to the Housing Receipts Pool	(660)		(4,119)	
Employer's contributions payable to the Cambridgeshire County Council Pension Fund and retirement benefits payable direct to pensioners	4,534		4,045	
		12,041		**7,581**
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	(534)		(112)	
Net transfer to or from earmarked reserves	989		845	
		455		**733**
Net additional amount required to be credited to the General Fund balance for the year		**(66,876)**		**(4,812)**

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

17 Intangible Fixed Assets

The table below explains the movement in the value of intangible fixed assets in the balance sheet for 2008/09.

(£000s)	**Purchased Software Licences**
Opening gross book value as at 1 April 2008	**314**
Transfer from assets in the course of construction	129
Expenditure in year	314
Gross book value as at 31 March 2009	**757**
Amortisation as at 1 April 2008	**(60)**
Amortised during the year	(102)
Amortisation as at 31 March 2009	**(162)**
Balance at 31 March 2009	**595**
Balance at 1 April 2008	**254**

The amortisation charged in 2008/09 relates to general network licences and other specialist software which are being amortised over their expected lives.

Software purchased in 2008/09 includes network related and specialist software including items relating to the Customer Service Centre and electronic document record management, time recording and secure transmission of data. These will be 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 2008/09.

Operational Assets

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure Assets	Com-munity Assets	Total
	Operational assets					
Opening gross book value as at 1 April 2008	**594,625**	**92,105**	**9,532**	**697**	**861**	**697,820**
Additions	12,459	2,709	2,119	261	115	17,663
Completion of assets under construction	0	1,068	1,517	1	0	2,586
Transfers from/(to) other categories	0	465	(721)	0	(135)	(391)
Disposals	(4,028)	0	0	0	0	(4,028)
Impairments	(22,521)	(39)	0	0	0	(22,560)
Revaluations	0	6,394	0	0	0	6,394
Gross book value as at 31 March 2009	**580,535**	**102,702**	**12,447**	**959**	**841**	**697,484**
Opening depreciation & impairment 1 April 2008	**(4,724)**	**(3,843)**	**(4,881)**	**(129)**	**(123)**	**(13,700)**
Depreciation	(7,888)	(1,413)	(1,241)	(18)	(24)	(10,584)
Transfers to other categories		(8)	644	0	8	644
Depreciation adjustment on revaluations	6,728	1,154	0	0	0	7,882
Impairment	(46,710)	(4,551)	0	0	0	(51,261)
Depreciation/impairment adjustment on disposal	332	0	0	0	0	332
Accumulated depreciation/impairment as at 31 March 2009	**(52,262)**	**(8,661)**	**(5,478)**	**(147)**	**(139)**	**(66,687)**
Net book value as at 31 March 2009	**528,273**	**94,041**	**6,969**	**812**	**702**	**630,797**
Net book value as at 31 March 2008	**589,901**	**88,262**	**4,651**	**568**	**738**	**684,120**

Non-Operational Assets

(£000s)	Non- operational assets: Investment Properties	Assets Under Construction	Surplus Assets for Disposal	Total
Opening gross book value as at 1 April 2008	**90,223**	**2,780**	**11,790**	**104,793**
Additions	0	539	2,579	3,118
Completion of assets under construction	0	(2,716)	0	(2,716)
Transfer from/(to) other categories	(435)	0	826	391
Disposals		0	(2,699)	(2,699)
Impairments	(140)	0	(2,007)	(2,147)
Revaluations	832	0	50	882
Gross book value as at 31 March 2009	**90,480**	**603**	**10,539**	**101,622**
Opening depreciation & impairment 1 April 2008	**(48)**	**0**	**(18)**	**(66)**
Transfer from/(to) other categories	0	0	(644)	(644)
Impairment	(9,562)	0	(2,565)	(12,127)
Depreciation eliminated on disposals	0	0	644	644
Accumulated depreciation/impairment as at 31 March 2009	**(9,610)**	**0**	**(2,583)**	**(12,193)**
Net book value as at 31 March 2009	**80,870**	**603**	**7,956**	**89,429**
Net book value as at 31 March 2008	**90,175**	**2,780**	**11,772**	**104,727**

19 Programme of fixed assets revaluation

Programmed current year valuations were carried out by:

Mr A Wilcock MRICS (District Valuer);
Ms A Peirson BSc (Hons) MRICS (Bidwells)

The net book value of assets valued by the District Valuer and Bidwells during the 2008/09 valuation process totalled £528.3 million (73.3% of the total net book value of fixed assets) and £39.6 million (5.5% of the total) respectively.

The Council's internal valuers, Mr D Prinsep MBA BSc (Hons) 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 73.

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

In reaching the final valuation figures, 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, 2004 and 2009, or first and subsequently provided by Cambridge City Council in order to reach their conclusions.

Bidwells did undertake an external visual external inspection of the properties valued. 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 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 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	-	-	6,969	812	702	603	9,086
Valued at current value as at:							
31 March 2009	528,273	29,235	-	-	-	18,251	575,759
31 March 2008	-	7,194	-	-	-	10,697	17,891
31 March 2007	-	9,944	-	-	-	23,881	33,825
31 March 2006	-	38,200	-	-	-	26,055	64,255
31 March 2005	-	9,468	-	-	-	9,942	19,410
Total	**528,273**	**94,041**	**6,969**	**812**	**702**	**89,429**	**720,226**

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

20 Depreciation and impairment

The majority of the Council's operational assets are council dwellings. The District Valuer last carried out a full valuation of council dwellings during 2008/09. Council dwellings are placed into three useful life bandings. Assets built before 1945 were assessed as having a remaining useful life of 33 years, those built between 1945 and 1974 have a remaining useful life of 43 years and those built from 1974 onwards having a remaining useful life of 53 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 74.
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

The SORP requires that assets included at current value in the accounts are valued at intervals of not more than five years. However, the present economic climate has resulted in more volatile asset values and in such circumstances the Council is required to consider whether the value of any assets not valued in the year has been impaired.

Bidwells undertook impairment reviews of investment properties and other land and buildings previously valued in the period 31 March 2005 to 31 March 2008. In undertaking these impairment reviews, Bidwells has departed from the RICS valuation standards in order to meet the Council's requirement to obtain best value for money from this work.

Bidwells have considered the appropriate yield for each property, in the current market conditions, and updated values based solely on these yield changes. The changes in yields and valuations reported do not reflect any other factors that may have impacted on the asset values since the date of the last valuation, such as (but not exclusively) changes in tenure, rental value or rental receivable and changes in the physical state of the assets.

However, at the end of the financial year additional impairment reviews were carried out on properties other than council dwellings, by the Council's internal Asset Registrar Mr P Doggett BSc (Hons) MRICS, where there had been other material changes to assets. No additional impairments were identified.

Impairments in the value of housing properties were considered by the District Valuer as part of his valuation as at 31 March 2009. A total impairment of £69.2 million was assessed on the value of housing stock, of which £46.7 million has been charged to the Income and Expenditure Account.

21 Physical Assets Held

Major assets held at 31 March 2009 were:-

	31 March 2009 No	31 March 2008 No
Dwellings		
Housing stock	7,387	7,438
Shared ownership	92	93
Operational assets		
Offices	11	10
Sports/swimming	8	8
Depots	1	1
Car parks	8	9
Community centres	8	8
Concert hall	1	1
Public WCs	14	14
Cemeteries	1	1
Crematorium	1	1
Weekly let garages	1,845	1,845
Non-operational assets		
Development sites	3	3
Leased property/land	372	372
Museum/heritage properties	1	1
Infrastructure assets		
Private roads/paths	6	6
Community assets		
Skateboard ramps/play areas	14	14
Pavilions	3	3
Allotment site & buildings	3	3
Nature reserve	3	2
All weather sports surfaces	4	4
	Area in hectares	
Commons	109	109
Allotments	34	34
Public open space	83	83

22 Capital expenditure and financing

Total capital expenditure in the year was £25.3 million (£19.5million in 2007/08). The Council is permitted to treat certain items as capital expenditure under statute, in addition to those that add value to fixed and intangible assets on the balance sheet.

(£000s)	**2008/09**	**2007/08**
Opening capital financing requirement	**(1,281)**	**(1,281)**
Capital expenditure (as reported in notes 17 and 18)		
Software licences	314	239
Council Dwellings	12,459	13,191
Other Land & Buildings	2,709	299
Vehicles Plant & Equipment	2,119	1,115
Infrastructure Assets	261	162
Community Assets	115	0
Investment Properties	0	17
Assets under Construction	539	2,294
Surplus Assets held for disposal	2,579	216
Capital expenditure charged to the income and expenditure account		
Revenue Expenditure Funded from Capital	3,524	1,337
De minimis capital expenditure	579	462
Loans advanced		
Private Sector Housing Improvement Loans	133	213
Financed by:		
Capital receipts	(9,554)	(6,213)
Revenue & Reserves	(12,082)	(12,094)
Contributions & grants released to the income and expenditure account to match Revenue Expenditure Funded from Capital Under Statue and de minimis assets	(2,662)	(677)
Grants & contributions	(1,033)	(561)
Closing capital financing requirement	**(1,281)**	**(1,281)**

23 Capital Commitments

At the 31 March 2009, the Council was contractually committed to capital works valued at approximately £5.1 million, as shown in the following table. Capital expenditure under these contracts will be incurred in 2009/10.

(£000s)	31 March 2009	31 March 2008
General Fund		
Development land on north side of Kings Hedges Road	204	0
Public conveniences	114	52
Arbury Park	0	2,005
Car park infrastructure and equipment	115	0
Cycleways	0	170
CCTV control room upgrade	117	0
Grafton East car park	89	2,306
Customer Access Strategy accommodation	20	81
Lion Yard contribution to works	1,162	0
King George V recreation ground pavilion	76	0
Guildhall redevelopment	775	0
Disabled Facilities Grants	0	61
Housing works	0	97
Customer Access IT	0	89
Other works – less than £50,000 per contract	80	122
Affordable homes	135	1,354
Housing Revenue Account		
Decent Homes capital programme	1,732	1,776
Disabled adaptations	23	199
Digital TV upgrade	429	0
Talbot House refurbishment	0	172
Mansel Court refurbishment	0	620
Other works – less than £50,000	47	0
Total	**5,118**	**9,104**

24 Operating leases

The future liability under existing operating leases was as follows:

(£000s)	31 March 2009		31 March 2008 (restated)	
	Buildings	Other	Buildings	Other
Future rental liabilities				
Leases expiring within two to five years	307	171	454	37
Leases expiring in more than five years	1,299	9	1,522	10
Total	**1,606**	**180**	**1,976**	**47**

The 31 March 2008 figure for building leases expiring within two to five years has been increased by £454,000 to reflect leases previously excluded in error.

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 £90.8 million (£90.2 million in 2007/08). 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 2009	Valuation as at 31 March 2008
Property leases	1,547	1,439

As these assets are held as investment properties no depreciation was charged on them during the period. Lease payments in 2008/09 were £2,247. These payments were accounted for as finance costs.

26 Long-term Investments

Long-term investments are those due to mature more than 12 months after the balance sheet date. The long-term investments disclosed in the balance sheet are made up of the following categories:

(£000s)	**31 March 2009**	**31 March 2008**
Loans and receivables	5,262	0

27 Long-Term Debtors

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

(£000s)	**31 March 2009**	**31 March 2008**
Mortgages	62	91
Grand Arcade Reverse Lease Premium	239	244
Private Sector Housing Improvement Loans	667	528
Sale of land at Kings Hedges	780	0
Long term loan – Kelsey Kerridge Sports Centre	76	89
Long-term debtors	**1,824**	**952**

28 Stocks and Work in Progress

(£000s)	31 March 2009	31 March 2008
Stocks		
City Services department	269	268
Other	18	55
Total stocks	**287**	**323**
Work-in-progress		
City Services department	67	35
Total work-in-progress	**67**	**35**
Total	**354**	**358**

29 Debtors

(£000s)	31 March 2009	31 March 2008 (as restated)
Amounts falling due within one year		
Government departments	6,557	5,246
Housing tenants - rent	1,308	1,311
Community charge payers	0	1
Council tax payers	9,994	9,107
Sundry debtors	5,497	4,944
Housing Benefit overpayments	1,323	1,571
Total	**24,679**	**22,180**
Less provision for bad debts	(8,205)	(7,371)
Total	**16,474**	**14,809**

As in previous years a full provision is made for housing benefit overpayments. However the Council seeks to recover these debts.

30 Current Investments

Current investments are those due to mature within 12 months of the balance sheet date. The current investments disclosed in the balance sheet are made up of the following categories:

(£000s)	31 March 2009	31 March 2008
Loans and receivables	55,679	70,022

31 Impairment of Current Investments

Investments included in the current assets figure in the Balance Sheet at 31 March 2009 include the following investments the values of which have been impaired because of the financial difficulties being experienced by Icelandic banks and their subsidiaries. The impairments reflected in the accounts are based on the latest LAAP guidance issued in September 2009.

In October 2008, the Icelandic Banks Landsbanki Islands hf, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable Bank Plc and Kaupthing Singer and Friedlander, went into administration.

The Council had £9m deposited between Landsbanki Islands hf and its UK subsidiary, Heritable Bank Plc, with varying maturity dates and interest rates as follows:

Bank	Investment Date	Maturity Date	Amount invested (£000s)	Interest Rate %	Carrying amount (£000s)	Impairment (£000s)
Heritable	09/01/08	09/10/08	1,000	5.65	757	312
Heritable	13/06/08	22/12/08	1,000	6.21	734	316
Landsbanki	30/06/08	06/01/09	2,000	6.22	1,581	512
Heritable	05/09/08	05/03/09	2,000	6.00	1,452	616
Landsbanki	01/07/08	24/04/09	1,000	6.35	756	292
Landsbanki	01/07/08	22/05/09	2,000	6.42	1,511	586
			9,000		**6,791**	**2,634**

All monies within these institutions are currently subject to their respective administration and receivership processes. The amount and timing of payments to depositors such as the Council will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available, the Council considers that it is appropriate to make an impairment adjustment for the deposits based on the information outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

The impairment loss recognised in the Income and Expenditure Account in 2008/09 of £2.6 million has been calculated by discounting the assumed cashflows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

Heritable Bank Plc

Heritable Bank Plc is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £ by the end of 2012, and this was confirmed by the administrators on 12 August 2009. The Council has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Council has made the following assumptions in respect of the timing of recoveries:

July 2009	16.13% (this payment was received on 30 July 2009)
December 2009	10.00%
July 2010	20.22%
July 2011	19.22%
July 2012	7.22%
July 2013	7.21%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The Landsbanki Resolution Committee has announced that its best estimate of the amount to be repaid to preferential creditors is 83%. The Council has therefore decided to recognise an impairment based on it recovering 83p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the Council has used the estimated repayment timetables for other Icelandic banking institutions as a basis for its assumptions about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the Council's claim in the administration, which is expected to include interest accrued up to 22 April 2009. Where the maturity date of the investment is before this date, interest between the maturity date and 22 April has been included in the claim at an assumed penalty rate of interest of 22%.

Interest credited to the Income and Expenditure Account in respect of these investments is as follows:

(£000s)	**2008/09**		**2007/08**	
	Credited	**Received**	**Credited**	**Received**
Heritable Bank Plc	174	0	13	0
Landsbanki Islands hf	238	0	0	0

The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund and a sum of £2.2m has been transferred to the Financial Instruments Adjustment Account. Further details are available in note 54. The balance of £0.4m relates to interest that has been borne in full by the General Fund.

Discussions are ongoing with the Department for Communities and Local Government to amend Regulations to allow the Council to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account.

Further details on the Council's approach to managing credit risks are contained in Note 43.

32 Creditors

(£000s)	31 March 2009	31 March 2008
Government departments	927	1,233
Capital creditors	1,079	2,878
Developers' contributions	1,337	3,519
Sundry creditors	12,093	7,012
Total	**15,436**	**14,642**

33 Receipts in Advance

(£000s)	31 March 2009	31 March 2008
Council Tax	2,874	2,446
National Non Domestic Rate	1,273	1,167
Developers' contributions towards or for maintenance costs	279	695
Other	2,254	1,044
Total	**6,680**	**5,352**

34 Creditors due in more than one year

(£000s)	31 March 2009	31 March 2008
Developers' contributions	3,749	2,646
Total	**3,749**	**2,646**

35 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.

36 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.

37 Provisions

(£000s)	2008/09		2007/08	
	Insurance	PVCu	Insurance	PVCu
Balance as at 1 April	**336**	**141**	**366**	**142**
Movement in the year	(10)	(1)	(30)	(1)
Balance as at 31 March	**326**	**140**	**336**	**141**

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. The Council's external insurers meet claims or losses in excess of these amounts.

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.

38 Contingent Liabilities and Assets

Contingent Liabilities

Compulsory Purchase Orders

Residential dwellings:

The Council has compulsory 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 2009 are £583,448.

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

In May 2009, the High Court granted permission for a Judicial Review in respect of the Council's decision to continue with a Compulsory Purchase order of a house in Cambridge.

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. Three claims have been settled and two claimants have received estimated 90% advance payments of compensation. The Council is working to settle the claims where advance payments have been made.

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

Insurance

During 2005/06 the Council settled a mesothelioma claim brought by the widow of a former employee. The Council's previous insurers Municipal Mutual Insurance (MMI) are currently refuting liability to cover the claim, as they believe that the wording of the employer's liability insurance cover is such that the circumstances were not covered. During 2008 a number of test litigation cases were heard at the High Court and in November 2008 the judge found in favour of the local authorities. The Council has received payment of £180,564 from MMI to settle the claim but there is a possibility that the Council will have to repay the monies as the decision is due to be challenged in the Court of Appeal In November 2009.

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 under this arrangement have totalled £1,033,649. 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 Pools. 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.

Contingent Assets

VAT

HM Revenue and Customs (HMRC) v Isle of Wight and others

The above case concerned whether the VAT liability for the provision of off-street car parking by local authorities should be standard rated or classed as 'non-business'. The Council has submitted, based on the possible final outcome of the case, claims for the repayment of £8.6 million VAT (net of fees) paid over to HMRC since 1996, in relation to off-street car parking. As at 31 March 2009, this claim remained outstanding pending the outcome of a VAT tribunal (a date for which has yet to be set) relating to the possible distortion of competition if the provision of off-street parking by local authorities was not subject to VAT but that provided by the private sector was.

Fleming vs HMRC and Conde Nast Publications v HMRC

The Council has also submitted claims for the repayment of over declared VAT following the outcome of the Fleming/Conde Nast legal cases. This allows claims to go back to 1973 when VAT was first introduced in the UK. A number of these claims have now been settled but a claim for £5.9 million in relation to off-street car parking is outstanding pending verification and assessment by HMRC.

39 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.

40 Changes in accounting policy

Accounting for Retirement Benefits

Under the SORP 2008 the Council is required to adopt an amendment to Financial Reporting Standard 17, *Retirement Benefits.* As a result, quoted securities held as assets in the pension scheme are now valued at bid price rather than mid-market value. The actuary estimates that bid value of assets is 0.5% lower than mid market asset share at both 31 March 2008 and 31 March 2009. This adjustment has no impact on the deficits for either year reported in the Income and Expenditure Account.

The effect of this change as at 31 March 2008 is that the valuation of scheme assets has fallen and hence the pension liability has increased by £552,000 from that previously reported. This is reflected in an increase in actuarial gains of £38,000 in 2007/08 and a cumulative increase in the pension liability as reported on the balance sheet as at 31 March 2007 of £590,000.

Unspent developers capital contributions

During the year, Members approved a change in accounting policy and practice, effective from 1 April 2008, whereby the Council ceases to allocate interest to unspent developers contributions held by the Council. Should a contribution become repayable and, under the terms of the individual agreement, the developer was entitled to interest, then that interest would be met from General Fund resources or reserves. It is estimated that interest payable to unspent contributions would have been £594,000 in 2008/09 (£549,000 in 2007/08.)

Grossing up of interest receivable and payable

In previous reporting periods, interest allocated to unspent section 106 contributions, possible compensation for Compulsory Purchase orders (CPOs) and some other funds has been netted off against the interest receivable figure in the Income and Expenditure Account.

Interest receivable is now shown gross. The comparative figures for 2007/08 have been restated so that an additional credit of £649,000 has been added to interest receivable. This has been offset by an increase of £90,000 in total to the General Fund housing and environmental services net cost and by an additional charge of £559,000 to interest payable. The adjustment has no impact on the net surplus or deficit for the year on the income and expenditure account or the General Fund.

Interest allocated to possible CPO compensation and other funds in 2008-09 totals £33,000.

Capital Contributions and WIP

Grants and contributions in respect of assets in the course of construction totalled £365,000 at 31 March 2008 and were classified on the balance sheet as part of the balance of capital contributions unapplied. In line with guidance provided in Local Authority Accounting Panel (LAAP) bulletin 81, issued in April 2009 these should now be transferred to the capital contributions deferred account. An adjustment of £365,000 has therefore been made between capital contributions unapplied and capital contributions deferred as at 31 March 2008. Grants and contributions in respect of assets in the course of construction total £219,000 at 31 March 2009.

Cash flow statement

The Council has taken advantage of the provisions contained in the SORP 2008 and FRS 1 (revised) to simplify the presentation of the cash flow statement.

Revenue Expenditure Financed from Capital Under Statute and Deferred Charges

Prior to the 2008 SORP, deferred charges were used to describe expenditure that regulations permit to be funded from capital resources, but which do not satisfy the SORP's criteria to be classified as capital expenditure, for example grants to Housing Associations for affordable housing.

The 2008 SORP has effectively replaced deferred charges with a new category of expenditure – Revenue Expenditure Financed from Capital under Statute. Other than the change in name, this has no impact on the Income and Expenditure Account or the General Fund.

Deferred charges were previously included in the capital activities section of the cash flow statement. Revenue Expenditure funded from Capital under statute is now included in the revenue activities section of the cashflow statement, along with any associated grants credited to the revenue account.

The cash flow statement for 2007/08 has been restated as follows. Cash outflows of £1,337,000 (£3,430,000 in 2008/09) are now included in revenue activities rather than capital. Cash inflows relating to associated grants and contributions of £281,000 (£459,000 in 2008/09) are also included in revenue activities rather than capital.

Surplus or deficit on disposal of fixed assets

The Council previously revalued assets, to their market value, at the point of disposal. HRA properties were revalued to their disposal proceeds as the Council was bound by statute to give a discount on sale. SORP 2008 no longer permits this treatment and the Council calculates the surplus or deficit on disposal of an asset based on current book value. Comparative figures for 2007/08 have, therefore, been restated as follows.

The deficit on disposal of assets in 2007/08 of £690,000, as previously reported in the Income and Expenditure Account, is restated as a surplus of £2,915,000 and the surplus on revaluation in 2007/08 as reported in the Statement of Total Recognised Gains and Losses has been reduced by £3,605,000. Corresponding adjustments have been made to Notes 16, 53 and 61. The HRA net deficit on disposal of assets of £508,000, as previously reported, is now a surplus of £2,668,000 and adjustments have been made to the relevant HRA statements.

If the previous accounting policy had still been in operation this year the net deficit on disposal would have increased by £973,000.

The change in policy has no overall impact on General Fund or HRA balances in either year.

41 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**
2008/09:			
Charged to net cost of service			
Bad debts written off direct to services	0	29	29
Increase in bad debt provisions	0	677	677
Adjustments to fair value of soft loans	0	0	0
Interest payable and similar charges	58	0	58
Impairment of investments	0	2,634	2,634
Interest and investment income	0	(4,405)	(4,405)
Net (gain) / loss for the year	**58**	**(1,065)**	**(1,007)**
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)**

42 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 2009 of 2.67% (4.24% at 31 March 2008) has been used to calculate the fair value of private sector housing improvement loans
- No early repayment 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 2009		31 March 2008	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities at amortised cost	(11,192)	(11,192)	(10,934)	(10,934)
Loans and receivables	66,161	66,385	74,779	74,779

The difference between the fair value and carrying value of loans and receivables in 2008/09 relates to the Council's fixed rate long term investments. The fair value has increased as market interest rates have fallen since the investment was placed.

43 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. The principles behind how the Council intends to manage overall credit, liquidity and market risk in its investments are contained within the Annual Treasury Management and Investment Strategy report, submitted to full Council before the start of each financial year. This strategy can be amended, but only by full Council. During 2008/09 the Council made several amendments to its investment strategy, outlined below.

Credit risk

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

As stated, the Council seeks to minimise its exposure to risks in relation to investments through the operation of its Treasury Management and Investment Strategy. In light of the unprecedented events in the banking and finance sector (including the collapse of Icelandic banking institutions with which the Council has investments as detailed in note 31) the strategy was reviewed during 2008/09. Changes, formally approved by Council in December 2008, included suspending any new lending to overseas institutions or their UK subsidiaries and introducing a limit on the total that may be invested in counterparties within the same company group. The resulting investment criteria and lending limits are set out below.

In relation to new investments, deposits of up to 1 year may only be made with UK-owned banks or other financial institutions that are rated independently with a minimum score of F1 (Fitch) or P1 (Moody's), a Fitch individual rating of C and a Fitch support rating of at least 3. In the case of Building Societies, they must also have assets greater than £2.5bn in value. A maximum of £5m is permitted to be invested for up to 3 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.

Limits are set for the amount that may be on deposit with any one institution. At 31 March 2009 these were: a maximum of £10 million with HSBC Bank Plc (the Council's bank), £6 million with other approved counterparties and a maximum of 1.5 times this limit may be invested, in total, with counterparties belonging to the same company group. In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to its investments at 31 March 2009 and that any residual risk cannot be quantified.

The following shows the original principal sums of investments at 31 March analysed by the nature of financial institution and country in which they are domiciled:

(£000s)	**31 March 2009**	**31 March 2008**
United Kingdom		
Banks	5,800	8,500
Icelandic Bank Subsidiaries	4,000	2,000
Building Societies	36,000	37,000
Local Authorities	5,000	0
Republic of Ireland		
Banks	3,000	9,000
Building Societies	3,000	3,000
Iceland		
Banks	5,000	9,000
Total	**61,800**	**68,500**

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. Provision is also made for material individual debts which the Council believes may not be recoverable. In 2008/09 a bad debt provision of £618,000 was made in relation to income not yet received, for the sale of Folk Festival tickets, from the company Secureticket (UK) Ltd. which has gone into creditors' voluntary liquidation.

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

(£000s)	31 March 2009		31 March 2008	
	Gross debt	Impairment Allowance	Gross debt	Impairment Allowance
Long-term debtors	1,584	0	707	0
Current and former tenants	1,308	941	1,310	918
Other debtors	4,200	931	4,076	418
Total	**7,092**	**1,872**	**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)	31 March 2009	31 March 2008
Balance as at 1 April	**1,336**	**1,237**
Increase in allowance for impairment	677	160
Balances written off during the year	(141)	(61)
Balance as at 31 March	**1,872**	**1,336**

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2009, of the total debtor and deferred debtor balances of £7.1 million (£6.1 million at 31 March 2008), the past due amount was £2.1 million (£1.7 million at 31 March 2008) and can be analysed by age as follows:

(£000s)	31 March 2009	31 March 2008
Customer debts		
Less than three months	236	347
Three to six months	89	60
Six months to one year	759	224
More than one year	987	1,029
Total	**2,071**	**1,660**

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, 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 2009 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 it's 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 on the bank deposit account had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £34,000 (£23,000 in 2007/08).

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.

44 Date the Statement of Accounts were authorised for issue

The audited Statement of Accounts were authorised for issue by the Director of Finance on 23 September 2009. This is the date up to which events after the balance sheet date have been considered.

Pension Costs, Assets & Liabilities

45 Pension Scheme

Employees of Cambridge City Council may participate in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. Employee's benefits at retirement are based on final salary and thereafter are index linked. 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.

46 Revenue Cost to Cambridge City Council

The cost of retirement benefits in the Net Cost of Services is recognised in the accounts when employees earn the benefits, 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)	**2008/09**	**2007/08**
Income and Expenditure Account		
Net cost of services		
Current service cost	3,287	4,765
Non distributed cost	1,456	130
Net operating expenditure		
Interest cost	9,496	8,336
Expected return on assets	(7,787)	(8,496)
Net charge to the Income & Expenditure Account	**6,452**	**4,735**
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(1,918)	(690)
Actual amounts charged against the General Fund balance for pensions in the year:		
Employers contributions payable	**4,534**	**4,045**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £14.8 million (gain of £10.1 million in 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of recognised Gains and losses is a net loss of £20.4 million.

47 Assets and liabilities in relation to retirement benefits

The present value of the Council’s share of liabilities in the county council fund, termed ‘the Defined Benefit Obligation’, has changed as follows:

(£000s)	Funded liabilities: Local Government Pension Scheme	
	2008/09	**2007/08**
Balance as at 1 April 2008	**136,833**	**153,765**
Current Service Cost	3,287	4,765
Interest Cost	9,496	8,336
Contributions by scheme participants	1,705	1,527
Actuarial gains and losses	(13,972)	(26,691)
Past service costs and curtailments	1,456	130
Estimated unfunded benefits paid	(294)	(288)
Benefits paid	(4,533)	(4,711)
Balance as at 31 March 2009	**133,978**	**136,833**

The fair value of the Council's share of assets in the county council fund has changed as follows:

(£000s)	Local Government Pension Scheme	
	2008/09	**2007/08 (as restated)**
Balance as at 1 April 2008	**109,994**	**117,503**
Expected rate of return	7,787	8,496
Actuarial gains and losses	(28,788)	(16,578)
Employer contributions	4,534	4,045
Contributions by scheme participants	1,705	1,527
Unfunded benefits paid	(294)	(288)
Benefits paid	(4,533)	(4,711)
Balance as at 31 March 2009	**90,405**	**109,994**

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

The return on the fund in market value terms for the year to 31 March 2009 is estimated by the actuary based on actual fund returns and index returns where necessary.

The actual negative return for 1 April 2008 to 31 December 2008 was 12.2% and based on index returns the actuary estimates a negative return for the year of 19.0%. The negative return on the Fund in market value terms as reported in the 2007/08 statement from the actuaries was 4.9%.

48 Scheme History

The recent history of the Council's share of the surplus/deficit in the county council fund is as follows:

(£000s)	2008/09	2007/08 (As restated)	2006/07(As restated)	2005/06*	2004/05*
Present value of liabilities	(133,978)	(136,833)	(153,765)	(152,709)	(126,478)
Fair value of assets	90,405	109,994	117,503	108,661	86,949
Surplus/(deficit) in the scheme	**(43,573)**	**(26,839)**	**(36,262)**	**(44,048)**	**(39,529)**

The Council has elected not to restate the fair value of scheme assets for 2005/06 and 2004/05 as permitted by FRS17 (revised).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £43.6m has a substantial impact on the net worth of the authority as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £4.5m.

49 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on a number of assumptions including salary levels and mortality rates. Hymans Robertson, an independent firm of actuaries, has assessed Cambridgeshire County Council Pension Fund liabilities. Estimates for the fund are based on the latest full valuation of the scheme as at 31 March 2007.

The next formal valuation is due for 31 March 2010.

The principal assumptions used by the actuary have been:

(£000s)	2008/09	2007/08
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.7%
Bonds	5.6%	5.7%
Property	4.9%	5.7%
Cash	4.0%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.6	19.6
Women	22.5	22.5
Longevity at 65 for future pensioners:		
Men	20.7	20.7
Women	23.6	23.6
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	25%	25%

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

	Proportion of Total Assets held by the Fund	
(£000s)	**31 March 2009**	**31 March 2008**
Equity Investments	64%	70%
Bonds	17%	13%
Property	10%	12%
Cash	9%	5%
Total Fund Assets	**100%**	**100%**

50 History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

%	2008/09	2007/08 (As restated)	2006/07 (As restated)	2005/06*	2004/05*
Differences between the expected and actual return on assets	(31.8)	(15.1)	1.0	14.2	4.8
Experience gains and (losses) on liabilities	0.3	1.0	0.2	0.0	(5.1)

* The Council has elected not to restate the fair value of scheme assets for 2005/06 and 2004/05 as permitted by FRS17 (revised).

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 2008 (restated) £000s	Net Movement in Year £000s	Balance 31 March 2009 £000s	Purpose of Reserve	Further Details of Movements
Collection Fund Surplus	34	37	71	Holds Council's share of the Collection Fund balance	Collection Fund Statements, Pages 67 to 70
Capital Receipts deferred	(179)	(739)	(918)	Holds balance of capital receipts due to the Council in instalments	Note 52
Revaluation Reserve	(29,303)	13,363	(15,940)	Store of gains on revaluation of fixed assets not yet realised through sales	Note 53
Financial Instruments Adjustment Account	2,406	1,637	4,043	Balancing account to allow for differences in statutory requirements and proper accounting requirements for borrowings and investments	Note 54
Capital Adjustment Account	(751,825)	55,318	(696,507)	Capital resources set aside to meet past expenditure	Note 55
Capital Receipts	(21,750)	8,031	(13,719)	Proceeds of fixed asset sales available to meet future capital investment	Note 56
Pensions Reserve	26,839	16,734	43,573	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 57
Earmarked Reserves	(17,837)	(989)	(18,826)	Resources identified for specific purposes	Note 58
General Fund	(13,617)	1,434	(12,183)	Resources available to meet future costs for non-housing services	Statement of Movement on the General Fund Balance, page 10
Housing Revenue Account	(6,591)	534	(6,057)	Resources available to meet future costs for council houses	HRA Statements, pages 61 to 66
Total	**(811,823)**	**95,360**	**(716,463)**		

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.

53 Revaluation Reserve

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

(£000s)	**2008/09**	**2007/08 (as restated)**
Balance as at 1 April	**(29,303)**	**0**
Net gains arising on revaluations during the year	12,197	(29,303)
Depreciation in excess of historic cost	317	0
Release of revaluation gains on disposal	849	0
Balance as at 31 March	**(15,940)**	**(29,303)**

54 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account records the differences between charging amounts in relation to Financial Instruments (borrowings and investments) to the General Fund in accordance with proper accounting practice and in accordance with statutory regulation.

The Financial Instruments Adjustment Account includes both routine adjustments and those related to the impairment of investments in Icelandic banks.

Movements on the Financial Instruments Adjustment Account in respect of routine transactions are as follows:

(£000s)	**2008/09**	**2007/08**
Balance as at 1 April	**2,406**	**2,929**
Amortisation of debt redemption premium	(545)	(545)
2008/09 Movement in fair value of Private Sector Housing Improvements Loans	(27)	22
Balance as at 31 March	**1,834**	**2,406**

Regulations issued in March 2009 allow the authority not to charge amounts relating to impaired investments to the General Fund. The Council has taken advantage of the regulations, and has transferred the following amounts to the Financial Instruments Adjustment Account.

(£000s)	**Amount transferred to the Financial Instruments Adjustment Account**
Heritable Bank Plc	1,057
Landsbanki Islands hf	1,152
	2,209

Under the regulations as they currently stand, the Council must transfer the balance on the Financial Instruments Adjustment Account, in relation to Icelandic investments, no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest accrued until such time as the balance has been transferred to the General Fund. The Council estimates that the following credits will be made to the Financial Instruments Adjustment Account:

(£000s)	**Heritable Bank Plc**	**Landsbanki Islands hf**
Balance at 31 March 2009	1,057	1,152
Transfers during 2009/10	(148)	(251)
Transfers during 2010/11	(909)	(901)
Balance at 31 March 2011	**0**	**0**

Further details on the impairments can be found in Note 31 to the accounts.

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.

(£000s)	**2008/09**	**2007/08**
Balance as at 1 April	**751,825**	**755,708**
Capital Financing		
- Capital receipts transferred from usable receipts reserve	9,554	6,214
- Revenue and reserves	12,082	12,094
Depreciation, amortisation and impairment	(63,414)	(8,205)
Write down of deferred capital contributions	472	432
Capital contributions for revenue expenditure funded from capital under statute	2,662	677
Write down of revenue expenditure funded from capital under statute	(3,524)	(1,337)
Write down of de-minimis capital expenditure	(579)	(462)
Transfer to Major Repairs Reserve	(8,011)	(7,591)
Private sector housing loans	(19)	(15)
Depreciation in excess of historic cost	316	0
Disposal of fixed assets	(4,857)	(5,690)
Balance as at 31 March	**696,507**	**751,825**

56 Capital Receipts Reserve

This is the balance of capital receipts which remain available to meet capital expenditure after a proportion has been paid to Government under their arrangements for the redistribution of housing capital receipts (known as ‘pooling’.)

(£000s)	2008/09	2007/08
Balance as at 1 April	**21,750**	**23,192**
2008/09 Capital Receipts	2,184	8,891
Housing Pooled Capital Receipts	(661)	(4,119)
Transferred to Capital Adjustment Account to finance new expenditure	(9,554)	(6,214)
Balance as at 31 March	**13,719**	**21,750**

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 45.

(£000s)	2008/09	2007/08 (as restated)
Balance as at 1 April	**26,839**	**36,262**
Deficit /(surplus) for the year	16,734	(9,423)
Balance as at 31 March	**43,573**	**26,839**

58 Earmarked Reserves

These are reserves set aside or earmarked for specific purposes. The total at 31 March 2009 was made up as follows:-

(£000s)	Balance at 1 April	Movement for the period	Balance at 31 March
Asset Repair and Renewal Reserves	(13,218)	(645)	(13,863)
Insurance Fund	(460)	(234)	(694)
Technology Investment Fund	(558)	319	(239)
Shared Ownership Reserve	(300)	0	(300)
Commutation Adjustment	(887)	0	(887)
Development Plan Reserve	(46)	(39)	(85)
Compulsory Purchase Order Compensation Reserve	(569)	(14)	(583)
Major Planning Appeals Reserve	(38)	15	(23)
Revenue Contributions to Capital Reserve	(337)	21	(316)
Other Reserves	(1,424)	(412)	(1,836)
Total	**(17,837)**	**(989)**	**(18,826)**

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 **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 **Development Plan Reserve** was established to provide for the costs of development plan policy documents that make up the Local Development Framework.

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 that 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 2009	31 March 2008 (as restated)
General Fund	153,084	176,766
Housing Revenue Account	563,379	635,057
Total	**716,463**	**811,823**

Notes to the Cash Flow Statement

60 Analysis of Government Grants

The following analyses Government grants included in the Cash Flow Statement within net cash flow from revenue and capital activities.

(£000s)	2008/09	2007/08 (as restated)
Housing & Council Tax Benefit	(33,898)	(32,991)
Revenue Support Grant	(1,505)	(1,742)
Supporting People	(847)	(863)
Smoke Free Grant	0	(54)
Homeless & Rough Sleepers	(500)	(392)
Local Housing Allowance	0	(108)
Planning Delivery	(1,007)	(453)
Local Authority Business Growth Incentive	(531)	(231)
Concessionary Fares	(645)	(46)
Employment and support allowance	(2)	(30)
Scan funding	0	(44)
Recession impact funding	(30)	0
Elections	(11)	(26)
Area Based Grant	(22)	0
Active England	(500)	0
Big Lottery Grant	(30)	0
Private Sector Decent Homes	(159)	(254)
Housing Assessment Centre	(750)	(5)
Disabled Facilities Grant	(271)	(249)
Energy Improvements	0	(12)
Homelessness hostel	0	(22)
Recycling vehicle	0	(59)
Other Government Grants	(80)	(44)
Total	**(40,788)**	**(37,625)**

The comparative figures for 2007/08 now include capital grants previously excluded from this note.

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

(£000s)	2008/09	2007/08 (as restated)
Deficit/(Surplus) for the year	**68,310**	**3,514**
Collection Fund deficit	319	962
Non-Cash Transactions		
Depreciation and impairment	(71,425)	(15,796)
Adjustment to fair value of Private Sector Housing Loans	0	(50)
Movement in provisions	11	31
Government grants deferred	472	432
FRS17 adjustments	(1,918)	(690)
Write down of de minimis capital expenditure	(579)	(462)
Capital contributions for revenue expenditure funded from capital under statute and de minimis capital expenditure	2,203	396
Impairment of investments	(2,634)	0
Deferred capital receipt	780	0
Other non-cash transactions	(520)	449
Other adjustments		
Surplus / (Deficit) on disposal of assets	(2,859)	2,915
Miscellaneous capital receipts	54	212
Investment income	4,405	4,789
Interest payable and similar charges	(58)	(601)
Items on an accruals basis		
Increase/(Decrease) in stocks and WIP	(4)	52
Increase/(Decrease) in debtors	1,883	4,060
Decrease/(Increase) in creditors and receipts in advance	(5,983)	609
Net cash flow from revenue activities	**(7,543)**	**822**

62 Analysis of Changes in Management of Liquid Resources & Financing

(£000s)	Balance 31 March 2009	Balance 31 March 2008	Cash Movement In Year	Impairment
Management of Liquid Resources				
Short Term Investments	**54,774**	**68,500**	**(11,700)**	**(2,026)**

63 Liquid Resources

These comprise of funds invested either on-call or on a short-term basis of up to one year.

(£000s)	2008/09	2007/08
Value of surplus funds invested during the year	261,884	247,321
Investments repaid during the year	(273,584)	(252,561)
Net (decrease)/increase in investments	**(11,700)**	**(5,240)**

64 Movement in Cash

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

(£'000s)	Balance 31 March 2009	Balance 31 March 2008	Movement in Year
Cash in hand/at Bank	**928**	**336**	**592**

65 Reconciliation of net cash flow to movement in net funds

(£000s)	Balance 31 March 2009	Balance 31 March 2008	Cash Movement in year	Impairment
Cash	928	336	592	
Short Term Investments	54,774	68,500	(11,700)	(2,026)
Total	**55,702**	**68,836**	**(11,108)**	**(2,026)**

CAMBRIDGE
CITY COUNCIL

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	2008/09	2007/08 (as restated)
Income			
Gross rent - dwellings	2	(27,062)	(25,639)
Gross rent – garages/land		(1,132)	(1,104)
Charges for services and facilities		(1,855)	(1,817)
Contributions towards expenditure		(328)	(285)
Total		**(30,377)**	**(28,845)**
Expenditure			
Repairs & maintenance		5,458	5,287
Supervision & management		6,288	6,047
Rents, rates, taxes and other charges		252	229
Depreciation and impairment		57,127	12,383
Negative Housing Revenue Account Subsidy	3	11,918	9,137
Increased provision for bad debts		158	130
Total		**81,201**	**33,213**
Net cost / (surplus) of HRA services		**50,824**	**4,368**
HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account			
(Surplus) / Deficit on sale of HRA fixed assets		3,878	(2,668)
Other income		(54)	(212)
Impairment of investments	12	283	0
Interest and investment income		(475)	(575)
Deficit for the year on HRA services		**54,456**	**913**

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2008/09	2007/08 (as restated)
Deficit for the year on the HRA Income and Expenditure Account		**54,456**	**913**
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		(49,117)	(4,792)
Surplus / (Deficit) on disposal of fixed assets		(3,878)	2,668
Impairment of investments	12	(283)	0
Miscellaneous capital receipts		54	212
Net charges for retirement benefits made in accordance with FRS17		(163)	(680)
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	5	41	53
Difference between the amortisation of premiums and discounts determined in accordance with the SORP and those determined in accordance with statute		545	545
Employer's contributions payable to the Cambridgeshire County Council Pension Fund		497	456
Capital expenditure funded by the Housing Revenue Account	8	1,421	3,168
Transfers from Major Repairs Reserve	10	(3,125)	(2,607)
Contribution to earmarked reserves		86	176
Total movement on Housing Revenue Account for the year		**534**	**112**
Housing Revenue Account balance brought forward		**(6,591)**	**(6,703)**
Housing Revenue Account balance carried forward		**(6,057)**	**(6,591)**

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 2009, 2.07% of properties were vacant (2.14% at 31 March 2008).

The average rent payable in 2008/09 was £77.35 per week based on 48 rent weeks (£71.40 per week on a 52 week basis). 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).

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 2008/09 was calculated as follows:

(£000s)	**2008/09**	**2007/08**
Management and maintenance	10,916	10,976
Capital charges	1,216	1,193
	12,132	**12,169**
Notional rent	(28,773)	(27,487)
Rental Constraint Allowance	0	1,130
Interest on receipts	(7)	(8)
	(16,648)	**(14,196)**
Major Repairs Allowance	4,886	4,984
Defects Reinstatement Loan	7	43
Negative Subsidy Payable	**(11,755)**	**(9,169)**
Adjustment to subsidy required in future years	(159)	12
Estimated adjustment to subsidy for prior year	(12)	(26)
Actual adjustment to subsidy for prior year	8	46
Negative Subsidy included in HRA Summary	**(11,918)**	**(9,137)**

4 Asset Values within the HRA and Depreciation and Impairment

(£000s)	Asset Values		Depreciation		Impairment	
	31 March 2009	1 April 2008	2008/09	2007/08	2008/09	2007/08
Operational Assets						
Dwellings	528,273	589,901	7,888	7,475	46,710	4,724
Other Land & Buildings	5,202	7,020	118	116	1,699	0
Infrastructure	342	162	4	0	0	0
	533,817	**597,083**	**8,010**	**7,591**	**48,409**	**4,724**
Investment Properties	3,703	4,387	0	0	685	0
Surplus Assets held for disposal	2,022	3,550	0	0	0	19
Total Fixed Assets	**539,542**	**605,020**	**8,010**	**7,591**	**49,094**	**4,743**

Dwelling impairments of £93,150 have arisen from a clear consumption of economic benefits. Other 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 £113,000 (2007/08 £50,000) has been written off during 2008/09.

The value of council dwellings at 1 April 2008, based on vacant possession, was £1,282 million (2007/08: £1,259 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 7,455 dwellings during the year. The stock as at 31 March 2009 was as follows:-

	31 March 2009	31 March 2008
Houses & bungalows	3,724	3,727
Flats	3,067	3,072
Sheltered housing units	596	639
Shared ownership properties	42	42
Total	**7,429**	**7,480**
The change in stock during the year can be summarised as follows:		
Stock as at 1 April	**7,480**	**7,568**
Right to buy sales	(6)	(43)
Net shared ownership changes	0	(2)
Other changes	(45)	(43)
Stock as at 31 March	**7,429**	**7,480**

Of the 45 'other changes' in 2008/09, 44 relate to the disposal of units at Simons House.

7 Rent Arrears

Rent arrears for the year ended 31 March 2009 were £1,229,163 (£1,223,563 in 2007/08) and as a proportion of gross rent income have decreased from 4.47% in 2007/08 to 4.14% in 2008/09.

At 31 March 2009 a provision for bad debts of £940,604 was held in the balance sheet (£917,661 at 31 March 2008).

8 Financing of Capital Expenditure within the HRA

(£000s)	2008/09	2007/08
Capital Receipts	6,351	5,556
Major Repairs Reserve	4,886	4,984
Revenue financing of capital	1,421	3,168
Capital contributions and grants	162	99
Total	**12,820**	**13,807**

Capital expenditure in the year is all in relation to HRA stock apart from £185,000 (£162,000 in 2007/08) which was spent on HRA infrastructure assets and £139,000 (£152,000 in 2007/08) in respect of units earmarked for disposal. A contribution of £43,000 (£245,000 in 2007/08) was also made in relation to the HRA share of the new customer service centre.

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

(£000s)	2008/09	2007/08
Dwellings	480	2,417
Land	290	625
Total	**770**	**3,042**

10 Major Repairs Reserve (MRR)

(£000s)	2008/09	2007/08
Balance as at 1 April	**0**	**0**
Transfer to MRR during the year	8,011	7,591
Amount transferred from MRR to HRA	(3,125)	(2,607)
HRA Capital Expenditure on housing charged to MRR	(4,886)	(4,984)
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 Impairment of Financial Instruments

The Housing Revenue Account Income and Expenditure Account has been charged under proper accounting practice with a share, based on its proportion of investment income, of the impairment charge on financial instruments. This is then reversed in the Statement of Movement on the Housing Revenue Account balance, as it is not a permitted charge under statute. Further details on the impairment can be found in Note 31 to the accounts.

13 Restatement of the HRA

The Council previously revalued assets at the point of disposal to their market value. HRA dwellings sold under right to buy legislation were revalued to their disposal proceeds as the Council was bound by statute to give a discount on sale. SORP 2008 no longer permits this treatment and the Council calculates the surplus or deficit on disposal of the asset based on current book value. Comparative figures for 2007/08 have, therefore, been restated as follows.

The HRA net deficit on disposal of £508,000, as previously reported in the Income and Expenditure Account, is restated as a surplus of £2,668,000. A corresponding adjustment has been made to the Statement of Movement on HRA balances so that the change in policy has no overall impact on the HRA balance.

If the previous accounting policy had still been in operation this year the net deficit on disposal would have been reduced by £124,000.

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**	**2008/09**	**2007/08**
Income and Expenditure Account	1		
Income			
Council Tax	2	(52,980)	(49,824)
National Non-Domestic Rates	3	(75,546)	(70,101)
Reduction in Community Charge bad debt provision		0	(1)
Total Income		**(128,526)**	**(119,926)**
Expenditure			
Precepts and demands	4	52,935	50,272
Allowable costs of NNDR collection		235	235
Payment to NNDR Pool	3	75,311	69,866
Provision for non-payment of Council Tax	5	364	514
Community Charge surplus transfer to General Fund		0	1
Total Expenditure		**128,845**	**120,888**
Deficit for the Year	6	**319**	**962**
Deficit/(Surplus) as at 1 April		**293**	**(669)**
Deficit/(Surplus) as at 31 March	6	**612**	**293**

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 2009 was set at £1,345.94, made up as follows:

(£s)	**2008/09**	**2007/08**
Cambridge City Council	155.51	148.81
Cambridgeshire County Council	979.11	932.49
Cambridgeshire Police Authority	156.87	149.40
Cambridgeshire Fire Authority	54.45	52.38
Total	**1,345.94**	**1,283.08**

The following table shows the calculation of the Council Tax Base for 2008/09 (used to determine the tax needed at band D to finance spending).

Council Tax Base 2008/09

Valuation Band	Total no. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc.)	Ratio to Band D	Band D Equivalents
A	2,689	2,033	6/9	1,355
B	8,919	7,042	7/9	5,477
C	17,031	14,590	8/9	12,968
D	8,082	6,754	9/9	6,754
E	4,618	3,984	11/9	4,869
F	2,950	2,544	13/9	3,675
G	2,739	2,244	15/9	3,741
H	424	232	18/9	463
Total	**47,452**	**39,423**		**39,302**

The income of £52.98 million in 2008/09 was receivable from the following sources:

(£000s)	2008/09	2007/08
Billed to Council Tax payers	47,331	44,512
Transfer from General Fund		
- Council Tax benefits	5,536	5,312
Ministry of Defence Contributions in Lieu	113	0
Total	**52,980**	**49,824**

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 2009 was £213,570,350 (£208,956,820 at 31 March 2008) and the Uniform Business Rate in 2008/09 was set by the Government at 46.2p (2007/08, 44.4p).

4 Precepts and Demands

(£000s)	2008/09	2007/08
Cambridge City Council	6,116	5,831
Cambridgeshire County Council	38,508	36,536
Cambridgeshire Police Authority	6,170	5,853
Cambridgeshire Fire Authority	2,141	2,052
Total	**52,935**	**50,272**

5 Provision for Non-Payment of Council Tax

A contribution of £363,850 (£514,061 in 2007/08) was made to a provision for bad debts. During 2008/09, £1,287 of irrecoverable debts were written off (2007/08 £389,861).

6 Collection Fund Surpluses and Deficits

The deficit of £611,908 at 31 March 2009 (£293,463 deficit at 31 March 2008), 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 is therefore shared as follows:

(£000s)	**31 March 2009**	**31 March 2008**
Cambridge City Council	71	34
Cambridgeshire County Council	445	213
Cambridgeshire Police Authority	71	34
Cambridgeshire Fire Authority	25	12
Total	**612**	**293**

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 at cost 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.

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.

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 Charges to Revenue for Fixed Assets

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance or loans fund principal charges. Depreciation, impairment losses and amortisations are therefore removed by way of an adjustment in the Statement of Movement on the General Fund balance to be replaced by MRP. As the Council is debt-free no MRP is currently charged.

5 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset are charged as expenditure to the relevant service revenue account in the year. Where the Council meets the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund balance so there is no impact on the level of council tax.

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.

During the year, Members approved a change in accounting policy and practice, effective from 1 April 2008, whereby the Council ceases to allocate interest to unspent developers capital contributions held by the Council. Should a contribution become repayable and, under the terms of the individual agreement, the developer was entitled to interest, then that interest would be met from General Fund resources or reserves.

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

Where grants and contributions are spent which are identifiable to fixed assets with a finite useful life, the amounts are credited to the 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 Reception & Office Services Legal Human Resources Property	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.
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 notes 51 to 58 to the main financial statements.

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 Retirement Benefits

Employees of the Council are entitled to become members of the Local Government Pension Scheme, administered by Cambridgeshire County Council. The Local Government Pension Scheme is accounted for as a defined benefit scheme.

The liabilities of the Cambridgeshire County Council pension scheme attributable to Cambridge City Council are included in the balance sheet on an actuarial basis using the projected unit method. This method is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of future earnings for current employees.

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

The assets of the pension fund attributable to the Council are included in balance sheet at their fair value as follows:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

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

- Current service cost – the increase in liabilities as a result of years of service earning this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earning in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of non distributed cost.

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

- Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.

- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events the expected future service or accrual of benefits of employees – debited to the Net Cost of Service in the Income and Expenditure Account as part of Non Distributed Costs

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuations or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses

- Contributions paid to the pension scheme – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund balance this means that there are appropriations to and from the Pensions Reserve to remove the entries for retirement benefits detailed above and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

15 Valued Added Tax (VAT)

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

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 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.

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 or police authority) 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 Expenditure Funded From Capital Under Statute

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

Revenue Support Grant

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

Third Sector

Charities, voluntary groups and social enterprises.

Abbreviations used in the accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Practice
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
REFFCUS	Revenue Expenditure Funded From Capital Under Statute
SOLACE	Society of Local Authority Chief Executives and Senior Managers
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice

A copy of this document can be found on the City Council website at www.cambridge.gov.uk
The Council can also produce computer disk or large print copies. We can arrange for a summary in Braille, on tape or in another language, although this will take longer.

If you would like this document in another format, please contact:

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