Annual Report & Statement of Accounts

For the year ending 31 March 2013

Cambridge City Council

CAMBRIDGE CITY COUNCIL

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

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Annual Report 2012/13

Cambridge City Council provides a wide range of services to people that live in, work in and visit Cambridge.

The services provided by the City Council include:

- Keeping the streets and public open spaces clean.
- 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 at the Corn Exchange.
- Awarding a wide range of grants to support local organisations and community groups.
- Providing a wide range of play activities for children and young people.
- Developing a new local plan for Cambridge to guide development to 2031, offering planning advice, progressing planning applications and making sure that new buildings and alterations are safe.
- Providing housing advice and support, and working with partners to meet peoples' housing needs.
- Acting as landlord to over 7,100 council-owned properties.
- Processing housing benefit and council tax support applications.
- Monitoring and enforcing food and drink hygiene standards, together with the control of pests and disease, noise and air pollution.
- Licensing food premises, street traders and entertainment venues.
- Addressing anti-social behaviour, in partnership with the Police and other agencies.
- Managing council run car parks.
- Organising and managing elections and the electoral register.

The City Council serves a population of about 123,900 residents in an almost entirely urban area in an otherwise mainly rural county. Cambridge is a sub-regional centre with high levels of inward travel to work and for shopping and leisure activities, which adds significantly to the day-time population. The Council provides many services that are used by people who live outside of the city as well as residents, which places additional pressure on our resources.

The city is at the centre of a housing growth region, with many new homes planned for sites on the southern and north-west fringes of Cambridge. The provision of good quality affordable and sustainable housing is a priority for the Council and it has set a target for developers of 40% affordable housing to be provided on the larger growth sites.

What we want to achieve

Cambridge City Council has a clear vision for the future of the city, a vision which is shared with Cambridge citizens and with partner organisations.

Vision Statement

Cambridge - where people matter

- A city which celebrates its diversity, unites in its priority for the disadvantaged and strives for shared community wellbeing
- A city whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives
- A city where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all

Cambridge - a good place to live, learn and work

- A city which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities
- A city which draws inspiration from its iconic historic centre and achieves a sense of place in all of its parts with generous urban open spaces and well-designed buildings
- A city with a thriving local economy that benefits the whole community and builds on its global pre-eminence in learning and discovery
- A city where getting around is primarily by public transport, bike and on foot

Cambridge - caring for the planet

- A city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution.

Priorities

The national economic situation and the government's plans to tackle the national debt will be a challenge for the City Council because over the next few years we will have less money to spend. As we plan for the future our aim will be to:

- protect services for vulnerable individuals and communities
- protect the basic services that keep our city looking good and working well
- make sure that we get right the things we only have one chance to get right – such as planning new communities.

How we will achieve our vision for Cambridge

Portfolio Plans

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, known as a portfolio, and they can make decisions about the services they are responsible for. During 2012/13 the seven portfolios were:

- Arts, Sports & Public Places
- Community Development and Health
- Customer Services and Resources
- Environmental and Waste Services
- Housing
- Planning and Climate Change, and
- Strategy.

Each Executive Councillor has a plan that sets out how the services they are responsible for will contribute to the achievement of the council's vision for Cambridge.

The following pages outline what we achieved over the past year as a result of the 2012/13 portfolio plans, and what our plans are for 2013/14.

Arts, Sports & Public Places Portfolio Plan

During 2012/13 we:

- ♦ Improved access to arts, sports and public places for all city residents through the leisure grants programme and by engaging with groups of people that do not currently use these services.

- ♦ Celebrated the London 2012 Olympic and Paralympic Games. This included the staging of an Olympic Torch Relay at Parkers Piece during the Big Weekend event, which attracted over 80,000 people, in July and the arrival of the Paralympic flame during August.

- ♦ Improved the quantity and quality of provision of recycling, litter and dog waste bins on our open spaces.

- ♦ Made improvements to our open spaces, sports, recreation and public art provision through a range of projects funded by developers.

- ♦ Identified ways for the Council to promote public access to public open space not directly maintained by the City Council.

- ♦ Established a plan and priorities to enhance local environmental quality, biodiversity and sustainability.

Our plans for 2013/14 in the Arts, Sports & Public Places portfolio include:

- Carrying out essential improvements to the Corn Exchange and Guildhall Halls and improve their marketing as part of the first year of a three year business plan to increase the number and type of events held.
- Awarding a new seven year leisure management contract.
- Supporting and encouraging more local groups to apply for grants from the Council's Area Committees for sports and arts related projects.
- Organising activities with partners to celebrate the 150th Anniversary of the Football Association and the 400th Anniversary of Parkers Piece.
- Developing the role of the Cambridge Arts Network to better coordinate and promote the city's arts and culture offer and improve networking and support amongst arts providers and practitioners.
- Producing a new five-year plan for Sports Development, Open Space and Play.
- Delivering developer contribution-funded Public Arts projects that are prioritised by the Council's Area and Scrutiny Committees.
- Increasing participation by under-represented groups and people with protected characteristics in arts, sports and activities in public places.
- Increasing the number of allotment plots and community orchards in Cambridge.
- Planning and coordinating multi-agency arrangements for the Tour de France: Grand Depart third leg start from Cambridge to London.
- Introducing a revised Tree Management Protocol that aligns with the Council's Area Committee decision-making cycle.

Planning and Climate Change Portfolio Plan

During 2012/13 we:

- Consulted on a range of issues and options that needed to be considered as part of the development of the new Cambridge Local Plan, which were important for the future planning and development of the city.
- Worked with the County Council and South Cambridgeshire District Council on the review of the Local Plan, and other planning matters, to ensure a co-operative and coordinated approach to planning for the Cambridge sub-region.
- Improved our planning application performance on major planning applications.
- Granted planning permission for the University of Cambridge North-West Cambridge development.

- Commenced work on the 20mph project with consultation on the first phase of that project starting in the north area of the city.

- Consulted extensively about local priorities for the use of developer contributions channelled through our Area Committees and identified 16 initial priority projects, amounting to over £550,000, to meet local needs.

Our plans for 2013/14 in the Planning and Climate Change portfolio include:

- Consulting on the submission stages of the new local plan and the key stages of our approach to the Community Infrastructure Levy and submitting the new local plan for examination by the Secretary of State.

- Taking a lead role under the duty to co-operate in the delivery of the emerging strategic planning function at the sub-regional level and in the on-going working arrangements of the Local Enterprise Partnership.

- Working jointly with South Cambridgeshire District Council and Cambridgeshire County Council on the review of local plans and County Transport Strategy.

- Delivering our on-going statutory planning function and growth commitments in accordance with the present local plan (2006) to agreed time and quality of outcomes.

- Implementing principles of the Localism agenda relating to community engagement in the development plan process and neighbourhood planning responsibilities.

- Further improving the performance and efficiency of our planning service, especially in the area of planning application processing.

- Working closely with developers and other stakeholders to ensure that new developments are of a high design quality and environmentally sustainable and contribute positively to the character of the built and green space of the city.

- Continuing to secure funding for a range of public art projects across the city.

- Adopting a tree strategy, in consultation with key stakeholders, that sets out the council's overarching policy for the trees within the city and how they will be preserved for future generations.

- Making our planning enforcement function more responsive and visible in the city.

- Delivering a reduction in carbon emissions from our estate and operations.

- Taking forward a joint programme with partner local authorities to deliver a Green Deal model for Cambridgeshire.

- Exploring with partners in the Cambridge Retrofit project a long-term approach for financing and delivering energy efficiency improvements to existing properties in Cambridge.

- Working with partners organisations, including the universities in Cambridge and the private sector to develop options for a commercially viable district heating scheme.

- Delivering new transport measures and actions to improve facilities for pedestrians, cyclists and public transport users, including in the new developments in the city.
- Contributing to the review of area transport plans and proposed projects for investment, supporting the local process for bidding for new and implementing relevant funding sources.
- Putting in place with our partners, subject to the outcome of consultations, additional new 20 mph zones across the city.
- Carry out a public consultation exercise on the preferred options for the redevelopment of the Park Street car park site and an action plan.
- Delivering additional cycle parking places in accordance with our cycle parking project.

Community Development and Health Portfolio Plan

During 2012/13 we:

- Provided local residents with more opportunities to influence decisions about their local area by using the learning from the North Area Committee pilot to support area working across the city's other three areas.
- Reviewed how the City Council's community facilities were managed, taking account of proposed facilities in the growth sites and the opportunities presented in the Localism Bill.
- Worked with the YMCA and young people to explore different options for providing a new facility for young people in the centre of Cambridge.
- Continued to support the integration of new communities with existing residents through the provision of community activities.
- Worked with partners to make significant progress towards delivering new community infrastructure in the North West and Southern fringes of Cambridge, including the Trumpington Meadows Primary School and the new multi-use community facility at Clay Farm.
- Set up and supported a Local Health Partnership to improve public health in Cambridge.
- Developed a model of Restorative Justice focusing on the needs of victims, encouraging offenders to take responsibility for their actions and to repair the harm they've done, in order to reduce re-offending, anti-social behaviour and low-level crime in Cambridge.
- Worked with our partners to reduce the presence of street drinkers and the associated anti-social behaviour.
- Continued to support events and programmes to celebrate diversity, such as Black History Month, Cambridge Celebrates Age, Disability History Month, Inter-Faith Week, Refugee Week, LGBT History Month, Holocaust Memorial Day and International Women's Day.
- Continued to promote and manage grant funding so that voluntary groups are able to access grant aid and other support to help them build their knowledge, skills and confidence as partners with the City Council and sustain vibrant localities and neighbourhoods.

- Worked with the City's two Credit Unions to help them find additional volunteers and to promote their services to Cambridge residents in order to deter the use of high interest pay day loans and loans from loan sharks.

- Produced a Business Plan to deliver the findings from our review of our Children and Young People's Participation Service (ChYpPS) so that the service focuses on open access play for 9-13 year olds, takes a more entrepreneurial approach, makes the best use of the skills of the staff, uses volunteers to increase capacity and generates income.

Our plans for 2013/14 include:

- Delivering the first year of our plan for our Children and Young People's Participation Service (ChYpPS), achieving our income target of £30k and carrying out a review of how the first year went.

- Delivering our plan for the future management of the Council's community facilities that will deliver savings of £35k in 2013/14 whilst protecting them in the long-term for Cambridge residents and take into account the localism agenda and future pressures on public spending.

- Continuing to promote and manage a comprehensive grants programme that supports the city's community and voluntary sector.

- Developing our commemorations service to extend choices to the bereaved and making the service operate more efficiently.

- Strengthening our community engagement work across the southern fringe growth sites and establishing new community engagement structures across the north-west Cambridge growth sites.

- Involving stakeholders and residents in the design and future management arrangements for new community facilities at Clay Farm, the University site and NIAB1 and participating actively with partners to open new facilities at Trumpington Meadows.

- Ensuring that the Cambridge Local Health Partnership sets priorities for local public health work that align to local need and the Cambridgeshire Health and Well-being Strategy.

- Implementing plans for ultra-fast broadband coverage within the city area, as a part of the "Connecting Cambridgeshire" initiative, subject to successful bids for government funding.

Customer Services and Resources Portfolio Plan

During 2012/13 we:

- Worked with partner organisations to agree a common approach to the management of public sector owned property assets, to deliver the maximum possible benefit to the citizens of Cambridge.

- Strove to make optimum use of the Council's accommodation, providing support to enable our staff to work smarter and more flexibly.

- Obtained greater value for money from the Council's spending on procurement.

- Ensured that the government's welfare reforms were efficiently and effectively implemented locally, including consultation about and implementation of a new Local Council Tax Scheme that protected the most vulnerable in the city, with action being taken to mitigate hardship where possible.

- Prepared for the retention of local business rates as part of the Local Government Resource Review.

- Continued to explore how we as an organisation, and with our partners, can provide more joined-up customer services.

- Developed and consulted on a business plan to support the development of a bid for a Business Improvement District within Cambridge, in order to enable the involvement and appropriate financial input from the city's business community to the future development of the city.

Our plans for 2013/14 include:

- Integrating the Council's information systems effectively and simplifying our internal processes and delegations to improve our efficiency.

- Obtaining greater value for money from the Council's spending on procurement.

- Identifying further opportunities to work in collaboration, or share services with other public sector organisations, in order to create efficiencies or improve our resilience.

- Developing a more commercial approach for our tourism service and identifying a sustainable model of tourism that is less reliant on the Council.

- Agreeing a strategy for the optimum use of the Council's accommodation for the period 2013 to 2017 that also supports our CO_2 reduction targets.

- Developing a planned maintenance programme for the Council's administrative buildings that reduces the Council's running costs and level of CO_2 emissions.

- Enabling more staff to work more effectively and flexibly, and therefore more efficiently, by providing appropriate support in terms of buildings, technology and working practices.

- Maximising the commercial return from the development of growth sites on the southern and north-eastern fringes of the city, subject to the Council's other objectives for these developments.

- Undertaking focused work to improve electoral registration rates in the Cambridge City electoral area and make preparations for the implementation of Individual Electoral Registration.

- Supporting the new Business Improvement District to deliver the projects set out in its Business Proposal.

- Implementing our Local Council Tax scheme as part of the government's welfare reforms, ensuring that the most vulnerable in the city are supported.

- Preparing the Council's own systems and liaising with partners, such as the Department of Work and Pensions, for the future implementation of welfare reforms.

Environment and Waste Portfolio Plan

During 2012/13 we:

- Took steps to increase recycling in Cambridge, by providing customers with more new facilities for 'recycling on the go', encouraging the recycling of particular materials that aren't consistently recycled by residents across the city and by targeting particular groups.

- Increased the range of materials it is possible to recycle in the blue bin by adding plastic pots, tubs and trays to the mix.

- Introduced small Waste Electrical and Electronic Equipment banks to 5 bring banks sites across the city located in supermarket car parks.

- Now have 135 Recycling Champions across the city. Champions attend local events to provide information and communicate with residents about any barriers they may have to recycling.

- Increased the number of commercial customers with recycling services and this is demonstrated by results that show an increase from 21% to 29% recycling.

- Explored how we could better work with partners to improve the efficiency of our waste services.

- Addressed the impact that excessive noise has on residents, by mapping noise complaints across Cambridge, educating communities and enforcing change when necessary. Attendance at student events to raise awareness of noise nuisance and impact to their neighbours in the City.

- Contributed to improvements in the health of Cambridge residents by working with our partners to implement new public health arrangements, and by working to reduce the health impact of alcohol and the night-time economy. The partnership provided GPs with a clear and simple single point of contact to which they can report health issues caused by housing without having to identify the nature of tenure.

- Planned for the introduction of new licensing legislation and working with the Business Improvement District will result in cleaner, safer streets in the city centre.

- Made it easier for people to report litter, graffiti and fly tipping online and by text.

- Worked with the County Council to improve air quality and reduce emissions, by obtaining emission improvements from public transport vehicles and by promoting alternatives to the private car. New Quality Bus Partnership produced with stronger powers to exclude non-compliant vehicles from the core area.

- Set a standard for emissions in taxis and moved towards ensuring the taxi fleet will meet Euro 4/5 standard by 2014.

- Implemented the National Food Hygiene Rating Scheme.

- Were awarded a grant of £60,000 from DEFRA for a project to hire equipment and its operators to monitor real-time tail-pipe emissions.

Our plans for 2013/14 include:

- Putting in place a programme of activities to increase the proportion of waste that is recycled in the city.
- Offering businesses incentives to use our recycling services to increase the proportion of commercial waste recycled.
- Successfully negotiating a specification for a joint Materials Recycling Facility contract.
- Delivering a programme of joint projects with partners in the RECAP Advanced Waste Partnership.
- Agreeing a cross-border refuse and recycling collection arrangement with South Cambridgeshire District Council to meet the needs of our new developments that straddle boundaries.
- Increasing the number of street and recycling bins and dog litter bins in the city.
- Working with the Police and PCSOs to take enforcement action against dog fouling following the introduction of dog control orders.
- Introducing a rapid response team to respond to environmental emergencies outside of the city centre.
- Continuing refurbishment of our public toilets and looking at opportunities for providing community toilets.
- Completing the “Cambridge Real Emissions” project with our partners to provide detailed evidence of air quality impacts of city centre transport options.
- Installing in-cab technology to our refuse trucks to improve services to our customers.

Housing Portfolio Plan

During 2012/13 we:

- Invested in our existing housing stock and started to deliver a new council house building programme.
- Worked with developers, Registered Providers (housing associations) and planners to ensure that the city’s social and market housing stock (including private rented housing) continues to grow, including 40% Affordable Housing in most new developments and the delivery of the Council’s own new build programme.
- Increased the energy efficiency of existing homes; promoting sustainable design and construction methods and promoting high standards of environmental sustainability of new homes and communities, including water management.

- Reviewed our approach to ensure new specialist housing is provided, including an assessment of potential Gypsy and Traveller sites, as part of the local plan development.

- Completed a review of the Council's Letting Policy to ensure that priority for re-housing continues to be given to those who have least opportunity to access market housing.

- Maintained and promoted services to take action effectively against private sector landlords that do not comply with housing health and safety matters as well as landlord and tenant issues.

- Undertook a review of our empty homes policy in the light of national policy change so that effective action is taken to get vacant homes back into use.

- Improved the support provided to rough sleepers, including the completion of the Jimmy's Assessment Centre project, to help reduce the incidence of rough sleeping and use of temporary accommodation as households move more effectively to secure permanent housing.

Our plans for 2013/14 include:

- Working with developers, Registered Providers and planners to ensure the city's social and market housing stock continues to grow as the first new housing begins to emerge on the southern fringes of the city.

- Completing the redevelopment of Seymour Court to include the provision of 20 new homes for older people.

- Ensuring that the current standard of building by registered providers is maintained in terms of size, construction and layout to at least level four of the Code for Sustainable homes.

- Ensuring that new specialist housing is prioritised for revenue funding by partner agencies and partnerships.

- Assessing the potential for the provision of additional Gypsy and Traveller sites as part of the development of the Local Plan, in discussion with South Cambridgeshire District Council and Cambridgeshire County Council.

- Increasing the number of staff in City Homes to help mitigate the most adverse impacts of welfare reforms and settling people moving onto alternative housing from existing housing that is about to be redeveloped.

- Completing our annual planned maintenance programme of works that ensure City Homes are maintained to the best possible standard.

- Continuing to take action against private sector landlords that do not comply with health and safety requirements or good tenant management.

- Providing housing advice to keep homelessness to a minimum and help prevent homelessness by offering early advice on alternative housing options.

- Increasing the range of temporary housing available to minimise the impact on households that become homeless or threatened with homelessness.

Strategy Portfolio Plan

During 2012/13 we:

- Consulted local residents, partnerships and experts on, and adopted, a refreshed Climate Change Strategy, setting out our strategic approach to climate change over the next five years.
- Started to implement our Carbon Management Plan to reduce the City Council's carbon footprint and energy bills, for instance through the implementation of voltage optimisation technology in more of our buildings and the use of solar thermal heat in Abbey pools.
- Further developed proposals with Cambridge University for a potential district heating scheme.
- Started to implement our Single Equalities Scheme to ensure that we better understand and meet the diverse needs of the city's communities, for instance providing training for our staff on mental health issues and supporting a range of local groups through grants and other activities.
- Continued to engage and consult local communities on key issues affecting them using our Code of Best Practice on Consultation and Community Engagement to ensure our approaches were appropriate and effective (for instance adopting a more sophisticated approach to budget consultation than in previous years).
- Redesigned and re-launched our website so that our customers can conduct even more of their business online more easily; and continued to make effective uses of social media, with our Twitter account achieving over 3,000 followers.
- Ensured greater transparency and openness about how we conduct our business, by making more information and data about the Council's services and performance available in more accessible ways.
- Continued to work with our partners to drive forward the economic development of the city and its surrounding area through the Local Enterprise Partnership.
- Ensured the City Council is equipped to deliver the Council's vision for the city within the resources available, by taking a structured approach to identifying savings and further efficiencies.

Our plans for 2013/14 include:

- Contributing to continuing reductions in recorded incidents of anti-social behaviour.
- Reviewing the impact of our current interventions with the street life community and developing a refreshed action plan with our partners to maximise our transformative role with vulnerable individuals.
- Giving victims a greater say in the solutions to anti-social behaviour and low level crime by increasing our referrals to Neighbourhood Resolution Panels.
- Securing on-going resources for our Community Safety Partnership to enable continued strong inter-agency sponsorship of projects.

- Strengthening our partnership with the Local Enterprise Partnership and others to foster sustainable growth in the Greater Cambridge economy.
- Concluding negotiations for a City Deal for the Greater Cambridge sub-region with the Government, establishing effective governance arrangements and beginning to implement key projects.
- Exploring the potential for generating income from council services and the feasibility of sharing services with other partners in the public sector.
- Deciding on an accommodation strategy for the council and its associated savings.

How to find out more

Further information about the Council's performance and the Council's priorities for 2013/14 can be found in our Portfolio Plans which are available on our website

https://www.cambridge.gov.uk/portfolio-plans

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 Resources;
- 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 Resources' Responsibilities

The Director of Resources 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 Resources 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 Resources 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, Cambridge City 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 the Accounts and Audit (England) Regulations 2011 regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cambridge City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being 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 2013 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

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

- The Council's Objectives, which focus the Council's efforts in achieving the vision for Cambridge.

- The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.

- The Annual Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.
- The annual budget and service planning process which translates the Council’s Objectives into actions at portfolio and operational level.
- The Council's Medium Term Financial Strategy, which identifies how the Council will resource its aspirations and plans for any financial risks.
- A Budget Setting Report, which sets out overall spending plans and includes a Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.
- 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 and are reviewed regularly and available to all Members and staff.
- The Council’s Civic Affairs Committee, which promotes and maintains high standards of conduct by Members and which has overall responsibility for the Council's compliance with laws and regulations.
- The Council’s Prevention of Fraud and Corruption Policy which is in place and reviewed regularly by the Council’s Civic Affairs Committee.
- A Register of Interests, which is maintained and reviewed regularly.
- Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council’s financial affairs and set out the financial accountabilities and responsibilities for Members and officers.
- A corporate Risk Management Framework, which 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.
- The role of the Council’s Civic Affairs Committee, which fulfils 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 Chief Executive is the Council's Head of Paid Service and the Head of Legal Services is the Council's Monitoring Officer. Their roles and responsibilities are set out in the Council's Articles of the Constitution.
- The financial management arrangements at Cambridge City Council conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- The Council's assurance arrangements conform with the governance requirements of CIPFA's Statement on the Role of the Head of Internal Audit in Local Government.
- A '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 Civic Affairs Committee, which analyses trends in complaints against the Council and what has been done to address them.
- Member Induction training and a guide for new Members, together with ongoing training for Members on key 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 all staff and managers.
- The Council's People Strategy, which sets out how the Council will recruit, reward and develop its staff to reach their full potential.
- The Media Protocol, which sets out the processes for drafting and clearing news releases and engaging with the media.
- The Corporate Change Programme Board, which commissions and monitors projects to implement change and transformation.
- The Citizens' Survey, which is undertaken periodically to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.
- 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 framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.
- The corporate website, residents' magazine and social media channels, which along with other publications and communications provide for informing and engaging residents and other stakeholders in service delivery and policy formulation.

- A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.
- Internal quarterly performance reporting against key performance indicators for each service prepared for and presented to the strategic leadership team to consider necessary remedial action.

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 and Heads of Service within Cambridge City Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual opinion, 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 informed by the Council's risk register, 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 are kept informed of the work of Internal Audit through a dedicated Members' Internal Audit web-page, which publishes copies of the Executive Summaries of Audit reports.

Individual Internal Audit reports are issued directly to the relevant Director, the Director of Resources, the Leader of the Council and the relevant Executive Councillor. 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 to the Council's Risk Register and progress on their implementation is reported to and monitored by the Chief Executive and the Strategic Leadership Team.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

The Director of Resources is the Authority's Chief Financial Officer and is responsible for the proper administration of the authority's financial affairs. The Director of Resources reports directly to the Chief Executive and is a member of the Strategic Leadership Team.

The Council's Civic Affairs 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. This arrangement replaces the previous responsibilities of the Council's Standards Committee, which was disbanded in July 2012.

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 that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those specifically addressed with new actions planned are outlined below.

Action Plan to Address Significant Governance Issues

1 Issue

Errors were identified in the Council's budget setting forecast for 2012-13, which resulted in an under-statement of the Council's spending requirements. These errors were investigated by the Council's External Auditors, Ernst and Young, and in response to their report an action plan was proposed to address the issues raised.

The action plan was agreed at Civic Affairs on 17 April 2013.

Action
[Target date & Officer Responsible]

♦ Ensure implementation of the actions agreed by Civic Affairs:

- Improvement to the control environment for the council's financial modelling

Head of Internal Audit / Head of Accounting Services
31 July 2013

- Addressing staffing related issues

Chief Executive / Head of Accounting Services / Head of Human Resources
31 May 2013

- Structure

Chief Executive
From June 2013

- Improvements to future processes

Chief Executive
31 July 2013

2 Issue

An Internal Audit review of the Council's Risk Management Framework was undertaken during 2012-13. The audit concluded that the framework goes a long way in meeting the principles of good governance, in that there are sound procedures in place for managing risk and therefore a 'significant' assurance rating was given to the risk management framework.

However, the audit found that some services have not yet fully embedded the risk management processes into their on-going service management arrangements and therefore overall a 'limited' assurance rating was given by the audit review.

Action
[Target date & Officer Responsible]

♦ As a result of the Internal Audit review it was agreed that to ensure the risk management process becomes fully embedded across the Council the Chief Executive and Strategic

Leadership Team will continue to ensure that pro-active action is taken to update the risk register on a timely basis.

Chief Executive
Ongoing from 30 April 2013

Action
[Target date & Officer Responsible]

- A follow-up to the audit of the Risk Management Framework will be completed in 2013-14.

  Head of Internal Audit
  31 December 2013

3 Issue

An Internal Audit review of the Management of Contractor Health & Safety was undertaken during 2012-13. This audit found that although officers have been undertaking appropriate checks on the contracts they are managing, in many cases they are not documenting these checks to evidence that they have taken place. This issue has also been evident in a number of other contracts reviewed in previous years and covers a range of different aspects of contract management.

Action
[Target date & Officer Responsible]

- Undertake a follow-up audit of the Management of Contractor Health & Safety to ensure all agreed actions for documenting checks undertaken on contracts have been implemented.

  Head of Internal Audit
  31 March 2014

4 Issue

The Prevention of Fraud & Corruption Policy has been updated to provide an overview of the Bribery Act 2010 and its implications for the City Council.

An Internal Audit review of Gifts & Hospitality has been undertaken as part of the 2012-13 Internal Audit Plan. A ‘Significant’ assurance rating was given to this review, but the report highlighted the need for greater clarity in the Officer Code of Conduct on what can be accepted and what needs to be recorded in the gifts and hospitality register.

Action
[Target date & Officer Responsible]

- Once agreed, the requirements of the updated Officer Code of Conduct in relation to gifts and hospitality should be shared with all staff and managers.

  Principal Auditor
  31 July 2013

5 Issue

The current Scheme of Delegations, as contained in the Council's Constitution, requires review to ensure it is up to date.

Action

[Target date & Officer Responsible]

- Review the Council's Scheme of Delegations to ensure it is up to date.

  Head of Legal Services
  31 December 2013

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 Tim Bick
Leader of the Council
Date: 28 August 2013

Antoinette Jackson
Chief Executive
Date: 28 August 2013

Opinion on the Authority financial statements

We have audited the financial statements of Cambridge City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Cambridge City Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities set out on page xv, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridge City Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the Annual report and Introduction to the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the Auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and

- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Cambridge City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Report by exception

The Audit Commission's guidance also requires us to report by exception on any other significant additional matters that come to our attention and which we consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Such a matter has come to our attention relating to a significant weakness in Cambridge City Council's arrangements for ensuring appropriate internal control over the preparation of the 2013/14 budget. The Council has set out this matter within its Annual Governance Statement on page xxii of the financial statements.

Our conclusion above, that we are satisfied that in all significant respects Cambridge City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013, is not modified by this finding.

Certificate

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

Mark Hodgson
for and on behalf of Ernst & Young LLP, Appointed Auditor
Cambridge

Date: 23 September 2013

Introduction to the Statement of Accounts

I am pleased to introduce the Council's Statement of Accounts for 2012/13. The preceding Annual Report section of this document describes the diverse range of services provided by Cambridge City Council to its residents, local businesses and visitors and provides details of some of the key activities and achievements during the year.

The Statement of Accounts, set out on pages 9 to 98, contain a series of statements, summarising the financial activity of the Council during the year in delivering these services. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are presented. The financial year ran from 1 April 2012 to 31 March 2013.

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (The Code). The code is based on International Financial Reporting Standards (IFRS) and sets out the format and content of the key financial statements and accompanying notes in this publication.

The key financial statements are as follows:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account
- Collection Fund

These accounts are supported by a comprehensive set of notes together with a statement of the accounting policies of the Council and a glossary of terms. An index to the main notes to the accounts is provided on page 16.

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 2012/13

The national and international economic climate, together with pressures to significantly reduce public sector spending, continued to provide a very challenging financial environment for the Council during the year. Effects have been most marked in relation to higher levels of inflation than originally forecast, continuing low interest rates and the relatively slow recovery of the housing market. As in previous years, budgets were closely monitored and revisions made, where necessary, to reflect changing circumstances. These revisions included changes to reflect Council's approval to carry forward budgets from 2011/12 to meet the costs of re-phased expenditure, additional savings identified during the year and also to provide for unavoidable additional costs.

As previously reported, the City Council was one of many local authorities affected by the collapse of Icelandic banking institutions in 2008/09 with, at that time, a total of £9 million in short term deposits with two of the affected banks (Landsbanki Islands hf and Heritable Bank Plc). The prospects for recovery (albeit over an extended period) of the majority of these deposits continues to be 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 note 25.

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. Further information about the valuation of assets, and how changes in their value must be accounted for, can be found in the Statement of Accounting Policies section.

Given the prevailing economic climate, reductions in funding from central government and resulting pressures on the Council's finances, it is pleasing to note that:

- A programme of service reviews continues to achieve worthwhile on-going savings that will support the Council's financial position going forward. As part of the review programme, the Council has continued to explore opportunities to share services with other local authorities. Shared service arrangements are already in place for the Choice Based Lettings Service, the management of the Internal Audit service and the provision of Home Improvement Agency services (to assist vulnerable people maintain their independence by helping them to repair maintain or adapt their homes).

- The Council implemented new streamlined arrangements for its administrative and business support services, delivering more cost effective services and contributing considerable on-going savings towards the Council's overall savings targets.

- We made improvements to our open spaces, sports, recreation and public art provision through a range of projects funded by developers.

- The Council worked closely with other public sector partners to plan the provision of new services and facilities in the North West and Southern fringes of the City (where major development is taking place) including a new primary school at Trumpington Meadows and a new multi-use community centre at Clay Farm.

- We worked to ensure that the Government's welfare reforms were efficiently and effectively implemented locally and to devise a new Local Council Tax Support scheme which protects the most vulnerable in the City.

- Major investment continued to be made in the Council's housing stock. In addition to expenditure on repairs and improvements to existing dwellings we have started to deliver a new council house building programme and are working with planners, developers and others to increase the supply of affordable housing.

Revenue Spending and Income

General Fund Services

For 2012/13, the Council agreed a budget for net spending of £17.0 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 £166.57 for Band D properties, unchanged for the second year running.

The table below compares the final outturn figures for the General Fund with those originally planned, when the budget and Council Tax for the year was agreed in February 2012.

(£000s)	Original Budget	Actual	Difference
Net Revenue Spending on Services	19,157	20,034	877
Capital Accounting Adjustments	(3,980)	(4,592)	(612)
Capital and Revenue Projects Spending Funded from Revenue	1,381	1,754	373
Contributions to/(from) Earmarked Reserves – before statutory accounting adjustments	1,079	1,429	350
Contributions to/(from) General Fund Reserve	(601)	(1,463)	(862)
Total	**17,036**	**17,162**	**126**
Financed by:			
Government Grants	1,857	1,983	126
Share of Business Rates	8,435	8,435	0
Council Tax	6,744	6,744	0
Total	**17,036**	**17,162**	**126**

Although the Council's actual net revenue spending on the provision of services was £877,000 more than the original budget set for the year, a variety of factors contributed to this overall position. The most significant of these related to depreciation that the Council is required to charge to services, which was £612,000 higher than originally budgeted. This increase reflected the valuation of assets at 31 March 2012, after the budget was set. The additional depreciation charges were, however, offset by a statutory capital accounting adjustment so did not affect the overall cost of services to Council tax payers. Tight budgetary control, the delivery of savings from service reviews and other efficiency measures combined to largely offset unavoidable additional costs.

The total amount of capital and revenue project expenditure funded from revenue was above original budget by £373,000 largely reflecting slippage on the timing of expenditure.

Government grant income was £126,000 higher than the original budget as a result of new grant allocations announced after the budget had been set. These new grants were awarded to support the Council in preparing for and meeting the additional costs arising from legislative changes such as Council Tax reform and reforms to the national welfare system.

Together, the overall changes in spending and grant meant that the combined use of general and earmarked reserves increased by £512,000 from that originally planned.

A net use of the General Fund Reserve of £1,463,000 was made for the year and, at the year-end, the reserve stood at £8.00 million. This reserve provides financial flexibility to the Council for meeting exceptional and/or unanticipated items and is used to support the Council's capital investment programme.

Housing Revenue Account

The Housing Revenue Account (HRA) budget for 2012/13 was set to deliver a sustainable financial position over the 30-year period of the HRA Self-Financing Business Plan, providing for funds to be set-aside to allow for debt repayment at loan maturity, if the authority so chooses. For 2012/13 the budget was originally set with the intention of using £2.60 million of reserves, with an expectation that by the end of 2012/13, reserves would be reduced to near the minimum level of £2 million. The strategy in recent years has been to use reserves to provide additional funding for capital expenditure, enabling extra investment in our housing stock, assisting in maintaining the decent homes standard, whilst also allowing for discretionary investment in areas such as the delivery of new affordable housing.

The table below compares the final outturn figures for the Housing Revenue Account with those originally planned, when the budget and rent levels for the year were agreed in February 2012.

(£000s)	Original Budget	Actual	Difference
Net Revenue Spending on Services	13,893	14,303	410
Negative HRA Subsidy	0	(12)	(12)
Debt Management Costs and Interest	7,434	7,805	371
Other Expenditure	312	286	(26)
Capital Accounting Adjustments	7,320	7,374	54
Direct Revenue Funding of Capital and Revenue Projects in the Housing Capital Investment Plan	9,333	7,353	(1,980)
Housing Set Aside	1,090	1,090	0
Total	**39,382**	**38,199**	**(1,183)**
Financed by:			
Dwelling Rents and Service Charges	35,137	35,055	(82)
Rent (Garages, Land & Commercial Property)	1,023	1,014	(9)
Interest Income	111	101	(10)
Other Income	509	550	41
Contributions (to) / from Reserves	2,602	1,479	(1,123)
Total	**39,382**	**38,199**	**(1,183)**

During the financial year, in June 2012, approval was given to carry forward resources of £1.85 million to fund expenditure re-phased from 2011/12. Of this sum, £1.15 million was towards meeting the costs of capital investment in the housing stock. The balance, £0.70 million, was predominantly to meet costs of cyclical revenue repairs in the housing stock, including external repairs and re-decoration, fire safety risk assessments, lift inspections and electrical testing, where work in 2011/12 had not progressed as quickly as planned. This approval increased the anticipated use of reserves in 2012/13 to £4.46 million.

Further changes in the planned use of reserves for 2012/13 were made as part of the Council's Medium Term Strategy and revised budget process, taking the planned use to £4.61 million. These changes reflected increased interest costs associated with the final HRA Self-Financing loan portfolio, partially offset by savings in staff and operational costs as a result of internal reorganisation and changes made in response to the anticipated loss of Supporting People funding.

The actual use of HRA reserves in 2012/13, reported to the Housing Management Board in June 2013, was £1,478,555. Requests have been made to carry forward funding of £3,108,480 into 2013/14, reflecting re-phasing of a number of projects, but particularly recognising the deferred need to use reserves to fund capital expenditure in light of slippage in the Housing Capital Investment Programme.

Housing Revenue Account available reserves stood at £5.495 million at the year-end.

Capital Spending and Receipts

In 2012/13 the Council spent £16.2 million on capital projects. Of this expenditure £9.9 million was on major repairs and improvements to council dwellings, £2.9 million on other land and buildings (including £1.7 million on infrastructure works for land at Clay Farm) and £1.5 million on assets in the course of construction (including £1.0 million on the redevelopment of housing stock).

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £4.4 million in the year, of which £0.9 million had to be paid over to central government.

External Borrowing

The Council did not need to undertake any new external borrowing during the year. The external debt of £213.7 million shown in the Balance Sheet at the end of the financial year relates to borrowing undertaken in 2011/12 to meet a one-off debt settlement payment to Central Government in relation to new Self-Financing arrangements for the Housing Revenue Account.

Pension Costs

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £93.0 million at 31 March 2013. This liability has no impact on the level of the Council's available reserves.

Further information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented in note 39 starting on page 62.

Looking ahead to 2013/14

Changes to the arrangements for funding of local government services came into effect from 1 April 2013 and future Statements of Account will reflect these. The Local Government Finance Act 2012 has introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. Under previous arrangements Central Government, as part of the Local Government Settlement announcement each year, determined the amount of the National Business Rates Pool that each authority would receive.

Alongside the potential for the Council to benefit from business rates growth in the City, the new funding arrangements bring a degree of risk to the Council in that the Council would have to bear a proportion of any reduction in business rates, for example as a consequence of demolition of premises or reductions in the rateable value of existing properties (including retrospective reductions).

The Council will need to carefully assess and quantify the income it expects to be able to retain from the business rates it collects and make provision, if considered necessary, to meet the costs of any refunds that might become due to business ratepayers as a consequence of successful valuation appeals.

Further Information

Further information about the accounts is available from:

Head of Accounting Services
Cambridge City Council Resources 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

I certify that the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2013 and its income and expenditure for the year then ended.

David Horspool
Director of Resources
Date: 19 September 2013

I confirm that the audited accounts were approved by the Civic Affairs Committee held on the 19 September 2013.

Councillor C Rosenstiel
Chair of Civic Affairs
Date: 19 September 2013

Main Financial Statements

CAMBRIDGE
CITY COUNCIL

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus) or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net (increase)/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

Financial year 2012/13

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2012	**(9,458)**	**(19,706)**	**(6,974)**	**(2,472)**	**(10,420)**	**(1,171)**	**(5,261)**	**(55,462)**	**(437,960)**	**(493,422)**
Movement in reserves during 2012/13	0	0	0	0	0	0	0	0	0	0
(Surplus) / deficit on the provision of services	5,510	0	2,806	0	0	0	0	8,316	0	8,316
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(84)	(84)
Total Comprehensive income and expenditure	**5,510**	**0**	**2,806**	**0**	**0**	**0**	**0**	**8,316**	**(84)**	**8,232**
Adjustments between accounting basis and funding basis under regulations (Note 4)	(4,577)	0	(2,718)	0	(2,790)	(3,940)	1,106	(12,919)	12,919	0
Net (increase) / decrease before transfers to earmarked reserves	**933**	**0**	**88**	**0**	**(2,790)**	**(3,940)**	**1,106**	**(4,603)**	**12,835**	**8,232**
Transfers to / from earmarked reserves (Note 5)	530	(530)	1,391	(1,391)	0	0	0	0	0	0
(Increase) / decrease in 2012/13	**1,463**	**(530)**	**1,479**	**(1,391)**	**(2,790)**	**(3,940)**	**1,106**	**(4,603)**	**12,835**	**8,232**
Balance at 31 March 2013	**(7,995)**	**(20,236)**	**(5,495)**	**(3,863)**	**(13,210)**	**(5,111)**	**(4,155)**	**(60,065)**	**(425,125)**	**(485,190)**

Financial Year 2011/12 (as restated)

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2011	**(9,850)**	**(17,318)**	**(5,688)**	**(2,236)**	**(12,765)**	**(352)**	**(6,076)**	**(54,285)**	**(652,229)**	**(706,514)**
Movement in reserves during 2011/12										
(Surplus) / deficit on the provision of services	(11,313)	0	208,818	0	0	0	0	197,505	0	197,505
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	15,587	15,587
Total Comprehensive income and expenditure	**(11,313)**	**0**	**208,818**	**0**	**0**	**0**	**0**	**197,505**	**15,587**	**213,092**
Adjustments between accounting basis and funding basis under regulations (Note 4)	9,317	0	(210,340)	0	2,345	(819)	815	(198,682)	198,682	0
Net (increase) / decrease before transfers to earmarked reserves	**(1,996)**	**0**	**(1,522)**	**0**	**2,345**	**(819)**	**815**	**(1,177)**	**214,269**	**213,092**
Transfers to / from earmarked reserves (Note 5)	2,388	(2,388)	236	(236)	0	0	0	0	0	0
(Increase) / decrease in 2011/12	**392**	**(2,388)**	**(1,286)**	**(236)**	**2,345**	**(819)**	**815**	**(1,177)**	**214,269**	**213,092**
Balance at 31 March 2012	**(9,458)**	**(19,706)**	**(6,974)**	**(2,472)**	**(10,420)**	**(1,171)**	**(5,261)**	**(55,462)**	**(437,960)**	**(493,422)**

Comprehensive Income and Expenditure Statement

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

(£000s)	Notes	2012/13			2011/12 (As restated see Note 43)		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		9,008	(7,418)	1,590	8,656	(7,231)	1,425
Cultural and related services		13,607	(4,312)	9,295	12,587	(4,498)	8,089
Environmental and related services		13,742	(5,430)	8,312	13,349	(4,935)	8,414
Planning Services		8,491	(2,307)	6,184	7,300	(2,245)	5,055
Highways and transport services		5,409	(8,768)	(3,359)	5,866	(8,702)	(2,836)
Local authority housing – settlement payment to government for Housing Revenue Account self-financing	3	0	0	0	213,572	0	213,572
Local authority housing (Housing Revenue Account) – other	3	33,259	(36,642)	(3,383)	30,771	(34,599)	(3,828)
Other housing services		42,448	(37,467)	4,981	41,683	(36,923)	4,760
Corporate and democratic core		2,924	0	2,924	2,645	0	2,645
Non distributed costs	3	(130)	0	(130)	252	0	252
Cost of Services		**128,758**	**(102,344)**	**26,414**	**336,681**	**(99,133)**	**237,548**
Other operating expenditure	6	925	(589)	336	1,899	(37)	1,862
Financing and investment income and expenditure	7	19,001	(18,244)	757	11,000	(33,048)	(22,048)
Taxation and non-specific grant income	8	0	(19,191)	(19,191)	0	(19,857)	(19,857)
(Surplus) / deficit on provision of services	**9**	**148,684**	**(140,368)**	**8,316**	**349,580**	**(152,075)**	**197,505**
(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	35			(11,222)			(3,965)
Actuarial (gains) / losses on pension assets / liabilities	39			11,138			19,552
Other comprehensive (income) / expenditure				**(84)**			**15,587**
Total Comprehensive (Income) / Expenditure				**8,232**			**213,092**

Balance Sheet

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

(£000s)	Notes	31 March 2013	31 March 2012	1 April 2011
Property, Plant and Equipment	16	613,872	618,547	612,795
Heritage Assets	19	430	430	430
Investment Property	22	114,476	111,373	96,834
Intangible Assets	23	472	538	504
Assets Held for Sale	27	3,354	0	0
Long Term Investments	25	1,734	2,190	3,294
Long Term Debtors	26	1,108	1,111	1,001
Long Term Assets		**735,446**	**734,189**	**714,858**
Short Term Investments	25	59,093	57,606	50,587
Assets Held for Sale	27	841	0	0
Inventories		274	239	303
Short Term Debtors	28	8,076	8,079	11,177
Cash and Cash Equivalents	29	7,734	4,781	2,557
Current Assets		**76,018**	**70,705**	**64,624**
Short Term Creditors	30	(11,540)	(13,053)	(8,767)
Receipts in Advance	31	(3,352)	(2,779)	(3,424)
Provisions	32	(364)	(315)	(284)
Current Liabilities		**(15,256)**	**(16,147)**	**(12,475)**
Long Term Borrowing	37	(213,654)	(213,654)	0
Other Long Term Liabilities	39	(92,967)	(78,945)	(57,871)
Capital Grants Receipts in Advance	33	(4,397)	(2,726)	(2,622)
Long Term Liabilities		**(311,018)**	**(295,325)**	**(60,493)**
Net Assets		**485,190**	**493,422**	**706,514**
Usable Reserves	34	(60,065)	(55,462)	(54,285)
Unusable Reserves	35	(425,125)	(437,960)	(652,229)
Total Reserves		**(485,190)**	**(493,422)**	**(706,514)**

These financial statements replace the unaudited statements authorised for issue on 21 June 2013.

David Horspool, Director of Resources **19 September 2013**

Cash Flow Statement

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

(£000s)	Notes	2012/13	2011/12
Cash flows from operating activities			
Cash receipts		108,879	115,088
Cash payments		(93,718)	(320,192)
Net cash flows from operating activities	**40**	**15,161**	**(205,104)**
Net cash flows from investing activities	**41**	**(8,991)**	**(13,335)**
Net cash flows from financing activities	**42**	**(3,217)**	**220,663**
Net (decrease) / increase in cash and cash equivalents		**2,953**	**2,224**
Cash and cash equivalents at the beginning of the year	**29**	4,781	2,557
Cash and cash equivalents at the end of the year	**29**	**7,734**	**4,781**

Notes to the Main Financial Statements

CAMBRIDGE
CITY COUNCIL

INDEX TO THE NOTES TO THE MAIN FINANCIAL STATEMENTS

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 83 to 98, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

2 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to judgements, estimates and assumptions that effect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenditure during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured as follows.

Change in assumptions at 31 March 2013	Approximate monetary amount (£000)
0.5% decrease in real discount rate	25,040
1 year increase in member life expectancy	7,241
0.5% increase in the salary increase rate	6,626
0.5% increase in the pension increase rate	18,105

However, the assumptions interact in complex ways so care should be taken in looking at changes in one variable in isolation.

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council did not sustain its current spending on repairs and maintenance the useful lives currently assigned to assets may be reduced.

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall. It is estimated that the annual depreciation charge for assets would increase by approximately £735,000 for every year that useful lives had to be reduced.

The Council owns an area of 6.75 acres at Clay Farm on the southern fringe on the city. The element of this land that will be retained by the Council for the development of social housing is held within the asset category of property, plant and equipment. The remainder, which is to be disposed of for market housing, is held in long term assets held for sale. The total area of land is assessed as having a value of £6.25 million as at 31 March 2013. In determining the proportion of this value to be included in assets held for sale and property, plant and equipment the Council has used the most up to date estimate available to it, which is that social housing will account for approximately 50% of the site. However, this proportion could change as detailed plans for the site are finalised and approved.

3 Material Items of Income and Expenditure

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

As disclosed in the comparative figures for 2011/12 on the face of the Comprehensive Income and Expenditure Statement the Council made a settlement payment to central government in respect of self-financing of the Housing Revenue Account of £213.6 million in March 2012.

In addition the following material items are included within the relevant service lines:

A net debit for revaluation losses of £8.2 million has been charged to expenditure within the Local authority (HRA) net cost of service line. The comparative expenditure figure for 2011/12 includes a net credit for reversal of previous revaluation losses of £4.8 million. More detail on the movements in the value of the Council's housing stock can be found in note 16 to the main financial statements.

The comparative figure for 2011/12 for the Financing and investment income included increases in the fair value of investment properties of £15.5 million.

The Surplus on revaluation of Property, Plant and Equipment includes a net £8.5 million gain in respect of the Council's housing stock.

4 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

The total comprehensive income and expenditure recognised by the Council in the year, is prepared in accordance with proper accounting practice. This note details the adjustments that are made to income and expenditure to reflect the resources that are specified by statute as being available to the Council to meet future capital and revenue expenditure.

Financial year 2012/13

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(4,456)	0	0	0	0	4,456
Net revaluation losses on property, plant and equipment	119	(8,191)	0	0	0	8,072
Movements in the market value of investment properties	2,308	15	0	0	0	(2,323)
Impairment losses on assets held for sale	0	(17)	0	0	0	17
Amortisation of intangible assets	(146)	0	0	0	0	146
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(2,252)	(116)	0	0	0	2,368
HRA Self-financing settlement payment funded from capital under statute	0	0	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(214)	(3,694)	0	0	0	3,908
Private sector housing loans adjustment	7	0	0	0	0	(7)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(26)	0	0	0	0	26
Capital expenditure charged against General Fund and HRA balances	2,688	7,447	0	0	0	(10,135)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,261	316	0	0	(1,577)	0
Transfer of capital contributions unapplied to the General Fund	(122)	0	0	0	122	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	2,561	(2,561)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	4,436	(4,436)	0	0	0
Other capital receipts	0	13	(13)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	779	0	0	(779)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(908)	0	908	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(11)	0	0	11
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(17)	0	0	17
Adjustments primarily involving the Major Repairs Reserve:						
HRA depreciation	0	0	0	(10,623)	0	10,623
Reversal of Major Repairs Allowance credited to the HRA	0	(3,259)	0	3,259	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,424	0	(3,424)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11	301	0	0	0	(312)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,950)	(766)	0	0	0	7,716
Employer's pension contributions and direct payments to pensioners payable in the year	4,045	787	0	0	0	(4,832)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1	0	0	0	0	(1)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	67	0	0	0	0	(67)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(10)	10	0	0	0	0
Total adjustments	**(4,577)**	**(2,718)**	**(2,790)**	**(3,940)**	**1,106**	**12,919**

Financial year 2011/12 (as restated)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(4,433)	0	0	0	0	4,433
Net revaluation losses on property, plant and equipment	155	4,720	0	0	0	(4,875)
Movements in the market value of investment properties	15,029	447	0	0	0	(15,476)
Amortisation of intangible assets	(122)	0	0	0	0	122
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(2,874)	(46)	0	0	0	2,920
HRA Self-financing settlement payment funded from capital under statute	0	(213,572)	0	0	0	213,572
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(2,055)	(1,590)	0	0	0	3,645
Private sector housing loans adjustment	37	0	0	0	0	(37)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(12)	0	0	0	0	12
Capital expenditure charged against General Fund and HRA balances	3,268	1,842	0	0	0	(5,110)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,487	0	0	0	(1,487)	0
Transfer of capital contributions unapplied to the General Fund	(120)	0	0	0	120	0
Application of grants to capital financing transferred to the Capital Adjustment Account	1,010	62	0	0	2,182	(3,254)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,075	2,020	(3,095)	0	0	0
Other capital receipts	0	37	(37)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,056	0	0	(4,056)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,441)	0	1,441	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(12)	0	0	12
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(8)	0	0	8
Adjustments primarily involving the Major Repairs Reserve:						
HRA depreciation	0	0	0	(9,808)	0	9,808
Reversal of Major Repairs Allowance credited to the HRA	0	(4,689)	0	4,689	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	4,300	0	(4,300)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	44	346	0	0	0	(390)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,631)	(817)	0	0	0	6,448
Employer's pension contributions and direct payments to pensioners payable in the year	4,061	865	0	0	0	(4,926)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(75)	0	0	0	0	75
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(77)	26	0	0	0	51
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(9)	9	0	0	0	0
Total adjustments	**9,317**	**(210,340)**	**2,345**	**(819)**	**815**	**198,682**

5 Movement in Reserves Statement – Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans together with the amounts of earmarked reserves used to meet General Fund and HRA expenditure in 2012/13.

(£000s)	2011/12				2012/13		Balance at 31 March 2013
	Balance at 1 April 2011	Transfers In	Transfers Out	Balance at 31 March 2012	Transfers In	Transfers Out	
General Fund:							
Asset Repair and Renewals Reserves	(12,995)	(3,238)	2,307	(13,926)	(3,122)	2,895	(14,153)
Insurance Fund	(687)	(869)	693	(863)	(1,155)	943	(1,075)
Technology Investment Fund	(241)	(15)	43	(213)	(15)	87	(141)
Development Plan Reserve	(272)	(181)	35	(418)	(150)	173	(395)
Compulsory Purchase Order Compensation Reserve	(583)	0	0	(583)	0	0	(583)
Major Planning Appeals Reserve	(31)	0	8	(23)	(84)	107	0
Revenue Contributions to Capital	(243)	0	20	(223)	0	45	(178)
Other	(2,266)	(2,056)	865	(3,457)	(1,315)	1,061	(3,711)
Total	**(17,318)**	**(6,359)**	**3,971**	**(19,706)**	**(5,841)**	**5,311**	**(20,236)**
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(1,826)	(265)	103	(1,988)	(286)	125	(2,149)
Shared Ownership Reserve	(300)	0	0	(300)	0	0	(300)
Other	(110)	(95)	21	(184)	(1,251)	21	(1,414)
Total	**(2,236)**	**(360)**	**124**	**(2,472)**	**(1,537)**	**146**	**(3,863)**

6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2012/13		2011/12	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	908	0	1,440
Impairment losses on assets held for sale	0	17	0	0
(Gains) / losses on the disposal of non-current assets	(576)	0	0	459
Other income	(13)	0	(37)	0
	(589)	**925**	**(37)**	**1,899**

7 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

(£000s)	2012/13		2011/12 (as restated see Note 43)	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,496	0	84
Impairment of investments	0	64	0	(468)
Pensions interest cost and expected return on pensions assets	(7,234)	9,991	(8,798)	10,435
Gains and losses on trading (note 10)	0	28	(22)	0
Interest receivable and similar income	(821)	0	(841)	0
Income and expenditure in relation to investment properties and changes in their fair value	(10,189)	1,422	(23,387)	949
	(18,244)	**19,001**	**(33,048)**	**11,000**

8 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes

(£000s)	2012/13	2011/12
Council tax income	(6,745)	(6,670)
Non domestic rates	(8,435)	(7,268)
Non-ringfenced government grants	(2,434)	(3,361)
Capital grants and contributions	(1,577)	(2,558)
	(19,191)	**(19,857)**

9 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SERCOP). However, decisions about resource allocation are taken by the Council's Executive on the basis of financial information analysed by portfolio. Reports presented to members are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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

(£000s)	2012/13	2011/12 (as restated)
Net Expenditure for the year as reported to management		
General Fund		
Community Services Scrutiny Committee		
Arts, Sports and Public Places	6,913	6,031
Community Development & Health	3,093	3,310
Housing	2,746	2,827
Environment Scrutiny Committee		
Planning & Climate Change	1,610	1,784
Environmental & Waste Services	7,736	8,014
Strategy & Resources Scrutiny Committee		
Customer Services and Resources	(5,452)	(6,245)
Strategy	3,389	2,869
Housing Revenue Account		
Housing Management Board	(12,464)	676
	7,571	**19,266**
Amounts in the Comprehensive Income & Expenditure Statement not reported to management	14,015	212,771
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	4,828	5,511
Cost of Services in the Comprehensive Income and Expenditure Statement	**26,414**	**237,548**

The 2011/12 comparative figures have been restated to reflect the portfolios in operation during 2012/13.

This reconciliation (analysed subjectively) shows how the figures for the income and expenditure included in the reports to management relate to the Surplus or Deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Financial year 2012/13

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(70,326)	0	0	0	12,455	(57,871)
Interest and investment income	(699)	(101)	0	(9,576)	(7,868)	(18,244)
Income from council tax	0	(6,744)	0	(1)	0	(6,745)
Gain on disposal of assets and other capital receipts	0	0	0	(589)	0	(589)
Government grants, donations and contributions	(45,047)	(10,418)	123	(1,577)	0	(56,919)
Total Income	**(116,072)**	**(17,263)**	**123**	**(11,743)**	**4,587**	**(140,368)**
Employee expenses	21,632	0	0	61	13,446	35,139
Other service expenses	72,998	0	(2,033)	4,220	(3,413)	71,772
Recharges	15,606	0	0	0	(15,606)	0
Depreciation, amortisation and impairment	13,405	10	(176)	9,153	922	23,314
Interest payments	2	7,494	0	9,991	64	17,551
Payments to Housing Receipts Pool	0	0	0	908	0	908
Total Expenditure	**123,643**	**7,504**	**(2,209)**	**24,333**	**(4,587)**	**148,684**
(Surplus) / Deficit on the provision of services	**7,571**	**(9,759)**	**(2,086)**	**12,590**	**0**	**8,316**

Financial year 2011/12 (as restated)

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(67,035)	0	0	0	11,156	(55,879)
Interest and investment income	(727)	(64)	0	(24,306)	(7,929)	(33,026)
Income from council tax	0	(6,744)	0	75	0	(6,669)
Gain on disposal of assets and other capital receipts	0	0	0	(37)	0	(37)
Government grants, donations and contributions	(43,277)	(10,629)	0	(2,558)	0	(56,464)
Total Income	**(111,039)**	**(17,437)**	**0**	**(26,826)**	**3,227**	**(152,075)**
Employee expenses	21,031	0	0	(63)	15,413	36,381
Other service expenses	82,180	0	(1,943)	3,078	(5,390)	77,925
Recharges	15,346	0	0	0	(15,346)	0
Depreciation, amortisation and impairment	11,746	0	(164)	(4,342)	2,249	9,489
Loss on disposal	0	0	0	489	0	489
Interest payments	2	0	0	10,435	(153)	10,284
Payments to Housing Receipts Pool	0	0	0	1,440	0	1,440
HRA self-financing settlement payment	0	0	0	213,572	0	213,572
Total Expenditure	**130,305**	**0**	**(2,107)**	**224,609**	**(3,227)**	**349,580**
(Surplus) / Deficit on the provision of services	**19,266**	**(17,437)**	**(2,107)**	**197,783**	**0**	**197,505**

10 Trading Operations

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

Included within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

(£000s)	2012/13	2011/12
Ditchburn Place Extra Care Contract		
Income	(622)	(668)
Expenditure	650	646
Deficit/(Surplus)	**28**	**(22)**

The City Council is contracted by Cambridgeshire County Council to provide care and support services for the extra care housing at Ditchburn Place.

Included within Planning services in the Comprehensive Income and Expenditure Statement

General Markets – the Council operates the general daily market in the city centre together with a number of other smaller specialist markets.

(£000s)	2012/13	2011/12
Income	(741)	(704)
Expenditure	405	365
Surplus	**(336)**	**(339)**

11 Agency Services

Agency Services provided on behalf of Cambridgeshire County Council were:

(£000s)	2012/13	2011/12
Highways Functions and Services		
Total costs	144	178
Costs reimbursed by the County Council	144	178
On-Street Parking Services		
Net surplus	0	(1,349)
Surplus reimbursed to county council	0	1,349

Box Office Services

The Council operates a box office for private promoters for performances and events held at the Corn Exchange. Gross income collected and paid over to promoters was £3,156,000 in 2012/13 (£3,446,000 in 2011/12.)

12 Members' Allowances

The total allowances paid to members during the financial year 2012/13 were £245,487 (£242,910 in 2011/12) as analysed below. Details of payments to individual members are published annually in a local newspaper.

(£)	2012/13	2011/12
Basic allowance payments	116,842	116,610
Special responsibility payments	126,175	124,571
Childcare allowance	192	198
Travel and subsistence payments	2,278	1,531
	245,487	**242,910**

Additional civic responsibility payments were made to the Mayor and Deputy Mayor outside of the Members Allowances Scheme. These totalled £5,570 (£5,440 in 2011/12).

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.

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 government grants received are set out in Note 33.

Members of the Council have direct control over the Council's financial and operating policies. During 2012/13 the Council gave grants totalling £245,949 (£339,546 in 2011/12) to voluntary organisations in which 11 (9 in 2011/12) members had an interest. £0 (£0 in 2011/12) of these grants were unpaid 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 26 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

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	2012/13	2011/12
£50,000 to £54,999	3	2
£55,000 to £59,999	1	3
£60,000 to £64,999	9	9
£65,000 to £69,999	2	3
£70,000 to £74,999	4	3
£75,000 to £79,999	0	1
£80,000 to £84,999	0	0
£85,000 to £89,999	1	1
£90,000 to £94,999	2	2
£100,000 to £114,999	0	0
£115,000 to £119,999	1	1

The remuneration of senior officers, who are included in the above table, is disclosed in more detail, including employer's pension contributions, below:

Financial year 2012/13

(£) Position / Name	Salary	Allowances & Benefits in Kind	Pension Contribution	Total
Chief Executive (A Jackson)	117,859	45	21,922	139,826
Director of Resources (D Horspool)	91,891	0	17,092	108,983
Director of Environment (S Payne)	88,646	12	16,488	105,146
Director of Customer & Community Services (L Bisset)	91,891	62	17,092	109,045
Head of Corporate Strategy (A Limb)	63,778	0	11,863	75,641

Financial year 2011/12

(£) Position / Name	Salary	Allowances & Benefits in Kind	Pension Contribution	Total
Chief Executive (A Jackson)	117,859	47	21,922	139,828
Director of Resources (D Horspool)	91,891	485	17,092	109,468
Director of Environment (S Payne)	88,646	0	16,488	105,134
Director of Customer & Community Services (L Bisset)	91,891	471	17,092	109,454
Head of Corporate Strategy (A Limb)	63,778	0	11,863	75,641

The number of exit packages, analysed between compulsory redundancies and other departures, and the total cost per band are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
£0 - £20,000	10	14	0	0	10	14	108	103
£20,001 - £40,000	4	7	1	0	5	7	124	215
£40,001 - £60,000	3	0	0	0	3	0	136	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
Total	**17**	**21**	**1**	**0**	**18**	**21**	**368**	**318**

The cost of exit packages includes the capital costs of early retirements (which are not relevant in every case) due to be paid to the Local Government Pension Scheme by the Council. These costs are disclosed as post employment benefit costs within non-distributed costs on the Comprehensive Income and Expenditure Statement.

Prior year bandings and the total cost of exit packages have been restated where there were differences between the estimated cost of departure as used in the note in last year's accounts and the actual cost.

15 Audit Costs

Cambridge City Council incurred the following fees relating to external audit.

(£000s)	2012/13	2011/12
Fees payable to the appointed external auditor in respect of:		
External audit services	86	105
Certification of grant claims and returns	13	22
Other services	21	3
	120	**130**

Ernst & Young were appointed as External Auditors to the Council on 1 October 2012. They received payment for non-audit services of £3,150 in 2011/12 before their audit appointment.

16 Property, Plant and Equipment

Financial year 2012/13

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation								
At 1 April 2012	**491,714**	**116,538**	**16,427**	**1,832**	**919**	**0**	**4,320**	**631,750**
Fully depreciated assets derecognised	0	(130)	(1,700)	0	0	0	0	(1,830)
Additions	9,903	2,875	971	112	93	0	1,510	15,464
Revaluation increases/(decreases) recognised in the revaluation reserve	(1,822)	1,097	0	0	0	3	0	(722)
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	(8,148)	110	0	0	0	(43)	0	(8,081)
Derecognition – disposals	(3,276)	0	0	0	0	0	0	(3,276)
Derecognition – other	(480)	(172)	0	0	0	0	(25)	(677)
Assets reclassified (to) / from investment properties	0	30	0	0	0	0	(109)	(79)
Assets reclassified (to) / from held for sale	0	(3,849)	(733)	0	0	(364)	0	(4,946)
Assets reclassified (to) / from other categories of property, plant and equipment	(1,388)	(81)	94	98	65	4,620	(3,408)	0
At 31 March 2013	**486,503**	**116,418**	**15,059**	**2,042**	**1,077**	**4,216**	**2,288**	**627,603**
Accumulated Depreciation and Impairment								
At 1 April 2012	**0**	**(4,598)**	**(8,331)**	**(249)**	**(25)**	**0**	**0**	**(13,203)**
Fully depreciated assets derecognised	0	130	1,700	0	0	0	0	1,830
Depreciation charge	(10,478)	(2,922)	(1,630)	(50)	0	0	0	(15,080)
Depreciation written out to the Revaluation Reserve	10,331	1,595	0	0	0	18	0	11,944
Depreciation written out to the Surplus / Deficit on the Provision of Services	62	11	0	0	0	0	0	73
Assets reclassified to / from Held for Sale	0	0	705	0	0	0	0	705
Assets reclassified to / from other categories of property, plant and equipment	85	48	(23)	(24)	0	(86)	0	0
At 31 March 2013	**0**	**(5,736)**	**(7,579)**	**(323)**	**(25)**	**(68)**	**0**	**(13,731)**
Net Book Value								
At 31 March 2013	**486,503**	**110,682**	**7,480**	**1,719**	**1,052**	**4,148**	**2,288**	**613,872**
At 31 March 2012	**491,714**	**111,940**	**8,096**	**1,583**	**894**	**0**	**4,320**	**618,547**

Financial year 2011/12 (as restated)

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation							
At 1 April 2011	**489,599**	**113,387**	**16,763**	**1,533**	**909**	**1,012**	**623,203**
Additions	6,732	2,626	636	299	10	3,493	13,796
Revaluation increases/(decreases) recognized in the revaluation reserve	(7,843)	1,623	0	0	0	0	(6,220)
Revaluation increases / (decreases) recognised in the surplus / deficit on provision of services	4,754	61	0	0	0	0	4,815
Derecognition – disposals	(956)	0	0	0	0	0	(956)
Derecognition – other	(651)	(1,209)	0	0	0	(27)	(1,887)
Assets reclassified to intangible assets	0	0	0	0	0	0	0
Assets reclassified from investment properties	154	0	0	0	0	0	154
Assets reclassified (to) / from held for sale	0	0	(1,155)	0	0	0	(1,155)
Assets reclassified (to) / from other categories of property, plant and equipment	(75)	50	183	0	0	(158)	0
At 31 March 2012	**491,714**	**116,538**	**16,427**	**1,832**	**919**	**4,320**	**631,750**
Accumulated Depreciation and Impairment							
At 1 April 2011	**(1)**	**(2,738)**	**(7,435)**	**(209)**	**(25)**	**0**	**(10,408)**
Depreciation charge	(9,673)	(2,625)	(1,901)	(40)	0	0	(14,239)
Depreciation written out to the Revaluation Reserve	9,653	532	0	0	0	0	10,185
Depreciation written out to the Surplus / Deficit on the Provision of Services	18	151	0	0	0	0	169
Impairment losses / reversals recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0
Assets reclassified to / from Held for Sale	0	0	1,090	0	0	0	1,090
Assets reclassified to / from other categories of property, plant and equipment	3	82	(85)	0	0	0	0
At 31 March 2012	**0**	**(4,598)**	**(8,331)**	**(249)**	**(25)**	**0**	**(13,203)**
Net Book Value							
At 31 March 2012	**491,714**	**111,940**	**8,096**	**1,583**	**894**	**4,320**	**618,547**
At 31 March 2011	**489,598**	**110,649**	**9,328**	**1,324**	**884**	**1,012**	**612,795**

17 Property Plant and Equipment - Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Current year revaluations were carried out externally by:

Mr S Layfield FRICS IRRV(Hons) REV (Wilks Head and Eve)
Ms A Briggs BA (Hons) MRICS (Bidwells LLP)
Ms A Groom MA MRICS (Bidwells LLP)
Ms C Sale BA (Hons) MSc MRICS (Bidwells LLP)

The basis for valuation is set out in the statement of accounting policies on page 93.

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

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 valuation of the portfolio is such that Bidwells has not been instructed to re-inspect any of the properties. They have therefore relied on information either obtained by them in 1995, 1998, 2003, 2008 and 2013, or subsequently provided by Cambridge City Council in order to reach their conclusions.

Bidwells did undertake an external visual inspection of the properties valued. 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 current carrying value of assets by the date of the most recent valuation:

(£000s)	Council Dwellings	Other Land and Buildings	Surplus Assets	Total
Valued at fair value as at:				
31 March 2013	486,503	27,727	0	514,230
31 March 2012	0	10,037	4,148	14,185
31 March 2011	0	38,803	0	38,803
31 March 2010	0	8,228	0	8,228
31 March 2009	0	25,887	0	25,887
Total Valuation	**486,503**	**110,682**	**4,148**	**601,333**

Vehicles, Plant and Equipment as short life operational assets, are held at historical cost less depreciation as a proxy for fair value.

18 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. These are placed into three useful-life bandings. Assets built before 1945 are assessed as having a remaining useful life of 29 years, those built between 1945 and 1974 have a remaining useful life of 39 years, those built between 1974 and 2010 have a remaining useful life of 49 years and those built after 2010 have a useful life of 80 years.

The useful lives of other assets are estimated as:

- Infrastructure Assets – 40 years
- Other buildings – 50 to 60 years
- Vehicles, Plant and Equipment – 3 to 20 years

19 Heritage Assets

(£000s)	Civic Regalia
Carrying value at 1 April 2011, 31 March 2012 and 31 March 2013	430

The collection of Civic Regalia was valued at market value for insurance purposes in November 2011 by Mr Peter Buckle FIRV.

The Council has assessed that the value at the end of each financial year from 2009 to 2013 would not be materially different from the figure obtained in November 2011.

20 Capital Expenditure and Capital Financing

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

(£000s)	2012/13	2011/12
Opening Capital Financing Requirement	**213,852**	**(3)**
Capital Expenditure		
Property, Plant and Equipment	15,464	13,796
Investment Properties	701	64
Intangible Assets	80	156
Non-current assets held for sale	0	0
Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure		
Revenue Expenditure Funded from Capital	1,788	2,797
HRA self-financing settlement payment	0	213,572
De-minimus capital expenditure	580	123
Loans Advanced		
Private Sector Housing Improvement Loans	38	67
Sources of finance		
Capital receipts	(779)	(4,056)
Government grants and other contributions	(2,561)	(3,254)
Revenue and reserves	(13,559)	(9,410)
Closing capital financing requirement	**215,604**	**213,852**

21 Capital Commitments

At 31 March 2013, the Council was contractually committed to capital work valued at approximately £4.4 million, as shown in the following table. Capital expenditure under these contracts will be incurred in 2013/14, apart from £1.4 million which it is estimated will be spent in 2014/15.

(£000s)	31 March 2013	31 March 2012
Property, Plant and Equipment		
Clay Farm Community Centre	290	0
Jesus Green tennis courts	0	94
Community Olympic Public Art Commission	0	101
Mill Road Cemetery memorial artwork	0	53
Affordable homes	0	93
Decent Homes	0	1,323
Other HRA stock spend	0	974
Mercury abatement	31	77
Vehicle asset replacements	25	118
Grand Arcade Car Park control room	1	54
Development land on Kings Hedges Road	164	293
Arbury Community Centre	80	0
Grand Arcade Annex Car Park – Drainage Gulleys	52	0
Refurbishment of Newmarket Road Cemetery Buildings	56	0
Roman Court	1,236	0
Brandon Court	0	400
Other works – less than £50,000 per contract	220	204
Investment Properties		
Lion Yard contribution to works	124	0
Assets Held For Sale		
Land at Clay Farm	1,633	0
Revenue Expenditure Funded from Capital Under Statute		
Assessment Centre	241	0
Grants for Private Sector energy efficiency improvements	18	0
Community Development grants	225	178
	4,396	**3,962**

22 Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

(£000s)	2012/13	2011/12
Rental income from investment property	(7,866)	(7,911)
Direct operating expenses arising from investment property	703	605
Net gain	**(7,163)**	**(7,306)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the receipt of income and the proceeds of disposal.

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

(£000s)	2012/13	2011/12
Balance at start of the year	**111,373**	**96,834**
Additions:		
Subsequent expenditure	701	64
Net gains / (losses) from fair value adjustments	2,323	15,476
Disposals	0	(847)
Transfers:		
(To) / from Property, Plant and Equipment	(30)	(154)
Transfers from assets in the course of construction	109	0
Balance at the end of the year	**114,476**	**111,373**

23 Intangible Assets

The Council accounts for its software as intangible assets, where the software is not such an integral part of a particular IT system that it is accounted for as part of the hardware item of property, plant and equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £146,000 charged to revenue in 2012/13 relates to specialist software and was charged to relevant services in the Comprehensive Income and Expenditure Statement.

The movement on intangible asset balances during the year was as follows:

(£000s)	2012/13 Software licences	2011/12 Software licences
Gross Carrying Amount:		
At 1 April	**1,061**	**905**
Fully amortised assets derecognised	(60)	0
Purchases	80	156
At 31 March	**1,081**	**1,061**
Accumulated Amortisation		
At 1 April	**(523)**	**(401)**
Fully amortised assets derecognised	60	0
Amortisation for the period	(146)	(122)
At 31 March	**(609)**	**(523)**
Net Book Value		
At 31 March	**472**	**538**

Specialist software was purchased in 2012/13 relating to the localisation of council tax benefits and the introduction of a Business Improvement District in Cambridge. The costs will be amortised over the expected life of the software.

24 Leases

Council as Lessee

Finance Leases

The carrying value of investment properties held under finance leases was £1,645,000 at 31 March 2013 (£1,547,000 at 31 March 2012). Secondary lease payments of £2,247 in each of 2011/12 and 2012/13 were accounted for as finance costs. This annual charge will continue until 2035.

These Industrial units are leased out under operating leases and the total minimum lease payments are £74,824 at 31 March 2013 (£39,000 at 31 March 2012).

The Council leases in three car parks under long-term peppercorn leases. The carrying value of these car parks included in Property, Plant and Equipment was £16,619,767 at 31 March 2013 (£16,907,740 at 31 March 2012).

Operating Leases

The Council leases in a number of operational properties and some equipment under operating leases.

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

(£000s)	31 March 2013	31 March 2012
Not later than one year	479	287
Later than one year and not later than five years	569	599
Later than five years	116	182
	1,164	**1,068**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

(£000s)	2012/13	2011/12
Minimum lease payments	**440**	**411**

Council as Lessor

Operating Leases

The Council leases out commercial properties across the City under operating leases. The portfolio includes shops, industrial units and shopping centres.

The future minimum lease payments receivable, under leases which cannot be cancelled, are:

(£000s)	31 March 2013	31 March 2012
Not later than one year	4,305	3,332
Later than one year and not later than five years	12,311	10,314
Later than five years	102,039	97,025
	118,655	**110,671**

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2012/13 £2,302,188 of contingent rents were receivable by the Council (2011/12 £2,207,699).

25 Short-Term and Long-Term Investments

(£000s)	2012/13		2011/12	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic banks and their UK subsidiaries	1,734	794	2,190	1,545
Other investments	0	58,299	0	56,061
	1,734	**59,093**	**2,190**	**57,606**

Investments in Icelandic Banks and their UK Subsidiaries

Investments included in current assets and long-term assets in the Balance Sheet at 31 March 2013 include the following investments, the values of which have been impaired because of the financial difficulties experienced by Icelandic banks and their subsidiaries. The impairments reflected in the accounts are based on the latest CIPFA Local Authority Accounting Panel (LAAP) guidance issued in May 2013.

In October 2008, a number of Icelandic Banks and their UK subsidiaries 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:

(£000s)	Original Investment Date	Original Maturity Date	Amount Invested (£000)	Interest Rate (%)
Heritable	09/01/2008	09/10/2008	1,000	5.65
Heritable	13/06/2008	22/12/2008	1,000	6.21
Landsbanki	30/06/2008	06/01/2009	2,000	6.22
Heritable	05/09/2008	05/03/2009	2,000	6.00
Landsbanki	01/07/2008	24/04/2009	1,000	6.35
Landsbanki	01/07/2008	22/05/2009	2,000	6.42
			9,000	

During 2012/13 Landsbanki Islands hf was renamed LBI hf.

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 is determined by the administrators / receivers.

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 losses recognised in the Income and Expenditure Account in 2012/13 of £66,000 (2011/12 net reversal of impairment losses of £471,000) have 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.

The overall position is summarised as follows:

(£000s)	2012/13		2011/12	
	Heritable Bank Plc	LBI hf	Heritable Bank Plc	LBI hf
Balance sheet carrying value				
Long term investments	0	1,734	222	1,968
Short term investments	421	373	567	979
Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account	15	51	(95)	(376)
Cash received	381	941	725	1,556

The deposits in Heritable were originally impaired by £1,244,000 and in LBI by £1,390,000 in 2008/09. In 2009/10 there was an additional impairment of £408,000 in respect of LBI and a reversal of the Heritable impairment of £212,000. In 2010/11 there was a further impairment of £42,000 in respect of LBI.

Heritable Bank Plc

Heritable Bank Plc is a UK registered bank operating under Scottish law. The company was placed in administration on 7 October 2008. In relation to the 2008/09 statement of accounts the Council decided to recognise an impairment based on recovering 80p in the £. The progress report issued to creditors, by the administrators Ernst and Young in August 2011, noted a base case return to creditors of 86 to 90 pence in the £. The latest updates from the administrators have not changed this estimate. Total dividends paid to date are 77.2% of the claim. In calculating the current expected recoverable amount the Council has made the following assumptions in respect of the timing of recoveries:

July 2013	2.00%
January 2014	8.80%

This schedule is based on expected total dividends of 88% of the claim. Recoveries are expressed as a percentage of the Council's claim, which includes interest accrued up to 6 October 2008.

LBI hf

Following steps taken by the Icelandic Government in early October 2008 the then Landsbanki's domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki (now renamed LBI) being placed in the hands of a resolution committee. LBI's affairs are being administered under Icelandic law. In respect of the 2008/09 accounts the Council decided to recognise an impairment based on it recovering 83p in the £.

The Council's estimate of the likely recoverable amount was subsequently updated in line with CIPFA guidance to 94.86 pence in the £.

This rate of recovery was based on the assumption that local council deposits had priority status and would therefore be repaid ahead of any creditors that did not have priority status. This was based on the Reykjavik District Court verdict on 1 April 2011 confirming that local authorities' claims qualified for priority status under Article 112 of the Icelandic Bankruptcy Legislation. However, this decision was subject to an appeal to the Icelandic Supreme Court.

The Supreme Court confirmed the priority status of local council deposits in October 2011. Under the terms of the distribution proposal, payment of each depositor's claim (measured in Icelandic Kroner as at 22 April 2009) was made in a basket of currencies with conversions made using Central Bank of Iceland selling rates as at 22 April 2009. The distribution currencies were Icelandic Kroner, Euros, US dollars and sterling. A total of £740 million, €710 million, $710 million and ISK 10 billion was distributed to qualifying priority creditors. The Council therefore received a distribution in February 2012 close to one-third of its priority claim. The Icelandic distribution is currently held in escrow.

The Winding Up Board announced in March 2012 that it anticipated that recoveries would exceed the book value of priority claims. It is therefore now considered likely that UK local authorities will recover 100% of their deposits, subject to future exchange rate fluctuations. The latest published update in December 2012 confirms this view.

Following the sale of Iceland Foods, the Winding Up Board authorised a further distribution to priority creditors in May 2012. The distribution was made wholly in sterling and the total amount distributed to creditors was £850 million. A further distribution of sterling, US Dollars and Euro was made in October 2012. Taken together with the earlier distributions this raised the total amount distributed to approximately 49.65%.

The future pattern of distributions by the Winding Up Board is not known, but the Council has followed CIPFA's recommendation and in estimating the current expected recoverable amount the Council has made the following assumptions in respect of the timing of recoveries:

December 2013	7.50%
December 2014	7.50%
December 2015	7.50%
December 2016	7.50%
December 2017	7.50%
December 2018	7.50%
December 2019	5.35%

Interest credited to the Comprehensive Income and Expenditure Statement in respect of these investments (but not actually received) is as follows:

(£000s)	2012/13	2011/12
Heritable Bank Plc	29	62
LBI hf	152	235

The Council took advantage of the Capital Finance Regulations to defer the impact of impairments recognised on these investments in 2008/09 and 2009/10 on the General Fund using the Financial Instruments Adjustment Account. Under the regulations the total impairments recognised in the Comprehensive Income and Expenditure Statement in 2008/09 and 2009/10 were charged to the General Fund in 2010/11. From 2010/11, any changes to the impairments previously recognised are reflected in the General Fund in the relevant year.

Further details on the Council's approach to managing credit risks are contained in Note 38.

26 Long-Term Debtors

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

(£000s)	31 March 2013	31 March 2012	1 April 2011
Mortgages	3	8	17
Grand Arcade reverse lease premium	217	223	228
Private sector housing improvement loans	832	812	675
Sale of land at Kings Hedges	30	30	30
Long term loan – Kelsey Kerridge Sports Centre	26	38	51
	1,108	**1,111**	**1,001**

27 Assets Held for Sale

(£000s)	Current		Long Term	
	2012/13	2011/12	2012/13	2011/12
Balance at 1 April	**0**	**0**	**0**	**0**
Assets newly classified as held for sale:				
Property, plant & equipment	869	65	3,371	0
Assets sold	(28)	(65)	0	0
Impairment losses	0	0	(17)	0
Balance at 31 March	**841**	**0**	**3,354**	**0**

The impairment loss recognised in 2012/13 relates to land at Latimer Close where the expected fair value on disposal is lower than the previous valuation on an existing use basis.

28 Debtors

(£000s)	31 March 2013	31 March 2012	1 April 2011
Central government bodies	679	885	4,021
Other local authorities	1,721	2,004	1,329
NHS bodies	16	28	10
Public corporations and trading funds	0	2	3
Council Tax payers (City share)	621	622	689
Council Tax payers (precepting bodies share)	2,080	2,020	2,615
Housing tenants and leaseholders	465	470	674
Trade and other	2,494	2,048	1,836
	8,076	**8,079**	**11,177**

29 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

(£000s)	31 March 2013	31 March 2012	1 April 2011
Cash held by the Council	5	3	5
Bank current accounts	479	398	302
Bank deposits account	7,250	4,380	2,250
	7,734	**4,781**	**2,557**

30 Short-Term Creditors

(£000s)	31 March 2013	31 March 2012	1 April 2011
Central government bodies	(477)	(4,351)	(956)
Other local authorities	(527)	(1,112)	(3,107)
NHS bodies	(17)	0	(1)
Public corporations and trading funds	(22)	(19)	0
Housing tenants and leaseholders	(640)	(619)	(613)
Other entities and individuals	(9,857)	(6,952)	(4,090)
	(11,540)	**(13,053)**	**(8,767)**

31 Receipts in Advance

(£000s)	31 March 2013	31 March 2012	1 April 2011
Cambridge City Council share of Council Tax receipts	(358)	(365)	(347)
Capital grants receipts in advance	(1,072)	(677)	(1,376)
Other	(1,922)	(1,737)	(1,701)
	(3,352)	**(2,779)**	**(3,424)**

32 Provisions

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 upon 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.

(£000s)	Insurance Provision	Other Provisions	Total
Balance at 1 April 2012	**(306)**	**(9)**	**(315)**
Additional provisions made in 2012/13	(260)	(6)	(266)
Amounts used in 2012/13	104	0	104
Unused amounts reversed in 2012/13	113	0	113
Balance as at 31 March 2013	**(349)**	**(15)**	**(364)**

33 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13:

(£000s)	2012/13	2011/12
Credited to Taxation and Non Specific Grant Income		
Share of National Non-domestic Rates	(8,435)	(7,268)
Revenue Support Grant	(163)	(2,247)
Council Tax Freeze Grant	(171)	(170)
New Homes Bonus	(1,399)	(910)
New Burdens Grants	(126)	(34)
Homelessness Grant	(575)	0
Capital grants and contributions	(1,577)	(2,558)
	(12,446)	**(13,187)**
Credited to Services		
Homelessness Grant	0	(575)
Local Support Partnership Grants	0	(43)
Council Tax Admin Subsidy	(214)	(232)
Council Tax Benefits Subsidy	(6,414)	(6,267)
Rent Allowance and Rent Rebates Admin Subsidy	(477)	(607)
Rent Allowance Subsidy	(17,180)	(16,644)
Rent Rebates Subsidy	(18,345)	(16,823)
Non HRA Rent Rebates Subsidy	(104)	(67)
	(42,734)	**(41,258)**

The Council has received a number of developer contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver. The balances at the year-end are as follows:

(£000s)	31 March 2013	31 March 2012
Capital Grants Receipts in Advance		
Due within 12 months	(1,072)	(677)
Due in more than 12 months	(4,397)	(2,726)
Total	**(5,469)**	**(3,403)**

34 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 4 and 5.

35 Unusable Reserves

(£000s)	31 March 2013	31 March 2012 (as restated see Note 43)	1 April 2011
Deferred Capital Receipts	(60)	(77)	(97)
Revaluation Reserve	(52,190)	(41,815)	(38,615)
Capital Adjustment Account	(466,571)	(476,122)	(672,761)
Financial Instruments Adjustment Account	81	393	783
Pensions Reserve	92,967	78,945	57,871
Collection Fund Adjustment Account	157	158	83
Accumulated Absences Account	491	558	507
Total Unusable Reserves	**(425,125)**	**(437,960)**	**(652,229)**

Deferred Capital Receipts Reserve

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

(£000s)	2012/13	2011/12
Balance at 1 April	**(77)**	**(97)**
Transfer to the Capital Receipts Reserve upon receipt of cash	17	20
Balance at 31 March	**(60)**	**(77)**

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

(£000s)	2012/13	2011/12 (as restated see Note 43)
Balance at 1 April	**(41,815)**	**(38,615)**
Net (gains) / losses on revaluations during the year	(11,222)	(3,965)
Amounts written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	810	765
Accumulated gains on assets sold or scrapped	37	0
Balance at 31 March	**(52,190)**	**(41,815)**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

(£000s)	2012/13	2011/12 (as restated see Note 43)
Balance at 1 April	**(476,122)**	**(672,761)**
Charges for depreciation and impairment of non-current assets	15,080	14,241
Revaluation losses on property, plant and equipment	8,072	(4,875)
Impairment losses on assets held for sale	17	0
Amortisation of intangible assets	146	122
Revenue expenditure funded from capital under statute and de minimus capital spend	2,368	2,920
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,871	3,645
Depreciation in excess of historic cost transfer from revaluation reserve	(810)	(765)
Transfer from revaluation reserve on disposal of non-current assets	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	(779)	(4,056)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,424)	(4,300)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,561)	(3,254)
Repayment of private sector housing loans	36	12
Private sector housing loans adjustment	(7)	(37)
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(10,135)	(5,110)
Self-financing of the HRA settlement payment	0	213,572
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,323)	(15,476)
Balance at 31 March	**(466,571)**	**(476,122)**

Financial Instruments Adjustment Account

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

(£000s)	2012/13	2011/12
Balance at 1 April	**393**	**783**
Amortisation of debt redemption premium	(301)	(346)
Movement in fair value of private sector housing improvement loans	(11)	(44)
Movements in respect of investments in Icelandic banks	0	0
Balance at 31 March	**81**	**393**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which is it directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further details on pension transactions are shown in note 39.

(£000s)	2012/13	2011/12
Balance at 1 April	**78,945**	**57,871**
Actuarial gains or losses on pensions assets and liabilities	11,138	19,552
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,716	6,448
Employer's pension contributions and direct payments to pensioners payable in the year	(4,832)	(4,926)
Balance at 31 March	**92,967**	**78,945**

Collection Fund Adjustment Account

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

(£000s)	2012/13	2011/12
Balance at 1 April	**158**	**83**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1)	75
Balance at 31 March	**157**	**158**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. The amounts accrued at the end of each year reflect untaken leave, time-off-in-lieu and flexitime balances. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

(£000s)	2012/13		2011/12	
Balance at 1 April		**558**		**507**
Settlement of or cancellation of accrual made at the end of the preceding year	(558)		(507)	
Amounts accrued at the end of the current year	491		558	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(67)		51
Balance at 31 March		**491**		**558**

36 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 2013 are £583,448.

A compensation claim has now been received in respect of one of the two houses.

Legal Cases

There are two ongoing legal cases in respect of planning issues. A legal challenge by way of judicial review has been made in both cases and should legal proceedings find against the Council, it may be liable for some or all of the claimants' costs.

Property Search Fees

A group of Property Search Companies is seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims is at present £95,314 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behavior. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Municipal Mutual Insurance

In 1992/93 the Council's then insurers, Municipal Mutual Insurance (MMI), ceased taking new business and are now being managed under a "scheme of arrangement". City Council claims under this arrangement have totalled £1,034,649. The directors of MMI triggered an insolvency under this scheme in November 2012, meaning that a solvent run-off was no longer foreseen.

The appointed administrator has indicated that based on current projections a levy equal to 15% (excluding the first £50,000 of claims) is required. A creditor for £148,000 has therefore been recognised in the 2012/13 statement of accounts. The administrator is required to review the levy rate at least once every 12 months. Although the administrator has indicated that unless there is a significant change to the financial position of MMI, the current levy of 15% should be sufficient, they have undertaken modeling that indicates a worst case scenario that a levy of up to 28% could be required.

New arrangements for the retention of Business Rates

New local authority funding arrangements came into effect on 1 April 2013 with the introduction of a scheme for the local retention of a share of business rates replacing the old Formula Grant system. Local authorities will now assume a liability for refunding businesses who have successfully appealed against the rateable value of their properties to the Valuation Office Agency. This will include amounts that were originally collected and paid over (to Central Government) in respect of 2012/13 and prior years.

In arriving at the estimated income from Business Rates for 2013/14, the Council included a prudent estimate of the likely financial impact of successful valuation appeals, including those relating to prior year periods of £3.8 million in total. Of this sum, the Council would bear a 40% share but it is not possible to accurately assess how much of this will relate to prior year periods.

Contingent Assets

VAT

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

The above case has been appealed again following a judgement in October 2012. No final determination has yet been made as to whether the VAT liability for the provision of off-street car parking by local authorities should be VAT standard rated or classed as 'non-business' (and hence outside the scope of VAT). The Council has submitted, based on the possible final outcome of the case, claims for the repayment of £23.7 million of VAT (net of fees) paid over to HMRC in relation to off-street car parking since the start of VAT in April 1973. As at 31 March 2013 this claim remained outstanding pending the outcome of a further VAT tribunal (with the date to be confirmed). The result of the tribunal will not be known until the winter of 2014 at the earliest. This tribunal will be looking at the question of 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.

Compound Interest

There have been a number of recent developments in relation to the ability of taxpayers to claim 'compound', as opposed to 'simple', interest on monies repaid (or to be repaid) to them by HMRC. Compound interest can far exceed that of simple interest and the Council has been advised that claims for compound interest can, potentially, go back to 1973. In view of the significant value of VAT repayment claims already made by the Council, both in relation to that still outstanding (as above) and those already repaid by HMRC under ‘Fleming’, the Council has engaged a firm of lawyers to submit a claim for compound interest to the High Court. It is currently unclear when these claims will be determined.

37 Financial Instruments

Categories of Financial Instrument

The following categories of financial instrument are carried in the balance sheet:

(£000s)	Long Term		Current	
	31 March 2013	31 March 2012 (as restated)	31 March 2013	31 March 2012 (as restated)
Investments				
Loans and receivables	1,734	2,190	59,093	57,606
Debtors				
Loans and receivables	1,109	1,111	3,478	5,520
Creditors & Receipts in Advance				
Financial liabilities at amortised cost	(4,397)	(2,726)	(14,294)	(11,115)
Long Term Borrowing	(213,654)	(213,654)	0	0
	(215,208)	**(213,079)**	**48,277**	**52,011**

Comparative figures for 31 March 2012 have been restated to include capital contributions held as receipts in advance and a reverse lease premium debtor.

Private Sector Housing Improvement Loans

The Council makes means-tested loans of up to £20,000 to individuals, secured on the value of their property, in order to fund major improvements. These loans are normally repayable on sale of the property. These loans are interest free and are therefore deemed to be soft loans. The interest rate used for these loans is based on the Council’s prevailing cost of borrowing for a maturity loan of 5 years duration. No allowance is made for the risk that the loans might not be repaid as they are secured.

(£000s)	2012/13	2011/12
Carrying value as at 1 April	**812**	**675**
Nominal value of new loans recognised in the year	45	106
Interest – increase in discounted amount	20	32
Loans repaid	(36)	(12)
Fair value adjustments	(9)	11
Carrying value as at 31 March	**832**	**812**
Nominal value of loans at 31 March	**913**	**904**

Income, Expense, Gains and Losses

The following items of income, expense, gain or loss are reflected in the Statement of Comprehensive Income and Expenditure in respect of financial instruments:

(£000s)	2012/13		2011/12	
	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables
Interest expense	7,496	0	84	0
Reductions in fair value	0	9	0	0
Reversal of losses on impaired financial assets	0	0	0	(471)
Impairment losses	0	221	0	251
PWLB fees on arrangement of HRA self-financing loans	0	0	75	0
Total expense in Surplus or Deficit on the Provision of Services	**7,496**	**230**	**159**	**(220)**
Increases in fair value	0	0	0	(11)
Interest Income	0	(640)	0	(544)
Interest income accrued on impaired financial assets	0	(181)	0	(297)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(821)**	**0**	**(852)**

Fair Value of Assets and Liabilities

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 2013 of 1.87% (2.18% at 31 March 2012) has been used to calculate the fair value of private sector housing improvement loans
- Estimated ranges of interest rates at 31 March 2013 of 2.94% to 3.13% (3.22% to 3.28% at 31 March 2012) for loans from the PWLB based on premature repayment rates at that date
- 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 value of capital contributions received in advance is taken to be the amount received

The fair values are calculated as follows:

(£000s)	31 March 2013		31 March 2012	
	Carrying amount	Fair Value	Carrying amount (as restated)	Fair Value (as restated)
Financial Liabilities at amortised cost				
Creditors and receipts in advance	(18,691)	(18,691)	(13,841)	(13,841)
Long term borrowing	(213,654)	(232,650)	(213,654)	(224,896)
Loans and receivables:				
Long term debtors	1,109	1,109	1,111	1,111
Current debtors	3,478	3,478	5,520	5,520
Long term investments	1,734	1,734	2,190	2,190
Current investments	59,093	59,093	57,606	57,606

Comparative figures for 31 March 2012 have been restated to include capital contributions held as receipts in advance and a reverse lease premium debtor.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date.

38 Nature and extent of risks arising from financial instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of 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 2012/13 the Council did not make any amendments to its investment strategy.

Credit risk

Credit risk arises from investments with banks and other financial institutions, as well as credit exposures to the Council's customers.
One of the things that the Council seeks to do through the operation of its Treasury Management and Investment Strategy is to minimise its exposure to risks in relation to investments.

The Council has, in general, continued with its suspension of lending to overseas financial institutions or their UK subsidiaries. The Council's current policy is to only lend to UK banks, building societies and other local authorities for up to twelve months in duration. This is in line with guidance from our treasury management advisers and in line with the Council's established Treasury Management Investment Strategy.

The Council has also maintained a limit on the total that may be invested within the same company group. The policy of having no limit on the total amount which may be invested in the Government's Debt Management Account deposit Facility (DMADF) continued in 2012/13.

The Council uses the 'creditworthiness service' provided by Sector. This service has been progressively enhanced and uses a sophisticated modelling approach using credit ratings from the following rating agencies – Fitch, Moodys and Standard and Poors. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the appropriate duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments.

With the exception of the DMADF, limits are set for the amount that may be on deposit with any one institution. At 31 March 2013 these were: a maximum of £16 million with HSBC Bank Plc (the Council's bank), £10 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. The Council also took advantage of using these limits in depositing funds within bank call accounts. This increased yield levels without prejudicing the Council's risk averse nature.

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 2013 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, country in which they are domiciled and remaining period to maturity:

(£000s)	Maturity Band			Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	
31 March 2013				
United Kingdom				
Banks	0	23,000	12,000	35,000
Building Societies	7,000	3,000	0	10,000
Local Authorities	13,200	0	0	13,200
Total	**20,200**	**26,000**	**12,000**	**58,200**

(£000s)	Maturity Band			Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	
31 March 2012				
United Kingdom				
Banks	26,380	13,000	0	39,380
Building Societies	10,000	0	0	10,000
Local Authorities	11,000	0	0	11,000
Total	**47,380**	**13,000**	**0**	**60,380**

These tables exclude the investments in Heritable Bank and LBI as detailed in Note 25.

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

(£000s)	31 March 2013		31 March 2012	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	1,109	0	1,111	0
Current and former tenants	1,523	1,205	1,520	1,270
Other debtors	3,465	306	4,000	926
	6,097	**1,511**	**6,631**	**2,196**

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

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

(£000s)	31 March 2013	31 March 2012
Balance at 1 April	**2,196**	**1,970**
Increase in allowance for impairment	100	240
Balances written off during the year	(785)	(14)
Balance at 31 March	**1,511**	**2,196**

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2013, of the total debtor and deferred debtor balances of £5.9 million (£6.4 million at 31 March 2012), the past due amount was £2.3 million (£2.8 million at 31 March 2012) and can be analysed by age as follows:

(£000s)	31 March 2013	31 March 2012
Customer Debts		
Less than three months	368	611
Three to six months	446	73
Six months to one year	202	195
More than one year	1,286	1,914
Balance at 31 March	**2,302**	**2,793**

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 (PWLB). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

On 28 March 2012 the Council took out a number of fixed rate maturity loans with the PWLB to meet the cost of the HRA self-financing settlement due to central government. These loans had terms of between 26 and 45 years. The HRA business plan confirms the affordability of interest payments and the repayment of these loans on maturity and that the Council may be able to consider earlier redemption if advantageous. However, this will not be considered in the short-term, due to current market conditions.

The maturity analysis of the loans is as follows:

(£000s)	31 March 2013	31 March 2012
Between 20 and 25 years	10,683	0
Between 25 and 30 years	53,413	53,413
Between 30 and 35 years	53,413	53,413
Between 35 and 40 years	53,414	53,414
Between 45 and 50 years	42,731	53,414
	213,654	**213,654**

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. These investments are also of less than one year in duration and so changes to fair value will be minimal. The Council does, however, utilise bank deposit accounts 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
- Loans at fixed rates – the fair value of liabilities will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services. 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 accounts had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £178,000 (£65,000 in 2011/12).

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 other than its exposure as detailed in Note 25.

39 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Cambridgeshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the employer contributions payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

(£000s)	Local Government Pension Scheme	
	2012/13	2011/12
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	4,699	4,650
Past service costs	0	0
Settlements and curtailments	260	161
Financing and Investment Income and Expenditure:		
Interest cost	9,991	10,435
Expected return on scheme assets	(7,234)	(8,798)
Total post employment benefit charged to the surplus or deficit on the provision of services	**7,716**	**6,448**
Other post employment benefit charged to the comprehensive income and expenditure statement		
Actuarial (gains) / losses	11,138	19,552
Total post employment benefit charged to the comprehensive income and expenditure statement	**18,854**	**26,000**
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(14,022)	(21,074)
Employers' contributions payable to the scheme	**4,832**	**4,926**

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £84.4 million (£73.3 million at 31 March 2012).

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

(£000s)	2012/13	2011/12
Opening balance at 1 April	**(208,232)**	**(190,481)**
Current Service Cost	(4,699)	(4,650)
Interest Cost	(9,991)	(10,435)
Contributions by scheme participants	(1,501)	(1,567)
Actuarial gains / (losses)	(23,267)	(8,775)
Past Service Gains	0	0
Benefits paid	6,235	7,514
Estimated unfunded benefits paid	323	323
Curtailments	(260)	(161)
Closing balance at 31 March	**(241,392)**	**(208,232)**

Reconciliation of fair value of the scheme (plan) assets:

(£000s)	2012/13	2011/12
Opening balance at 1 April	**129,287**	**132,610**
Expected return on assets	7,234	8,798
Actuarial gains / (losses)	12,129	(10,777)
Employer Contributions	4,832	4,926
Contributions by scheme participants	1,501	1,567
Unfunded benefits paid	(323)	(323)
Benefits paid	(6,235)	(7,514)
Closing balance at 31 March	**148,425**	**129,287**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yield on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on the Fund in market value terms for the year to 31 March 2013 is estimated as 15%.

Scheme History

(£000s)	2012/13	2011/12	2010/11	2009/10	2008/09
Present value of liabilities	(241,392)	(208,232)	(190,481)	(227,955)	(133,978)
Fair value of assets in the Local Government Pension Scheme	148,425	129,287	132,610	121,762	90,405
Surplus / (deficit) in the scheme	**(92,967)**	**(78,945)**	**(57,871)**	**(106,193)**	**(43,573)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £93.0 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 are £4.287 million.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.5%	6.3%
Bonds	4.5%	3.3%
Property	4.5%	4.4%
Cash	4.5%	3.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	21.0	21.0
Women	23.8	23.8
Longevity at 65 for future pensioners		
Men	22.9	22.9
Women	25.7	25.7
Rate of inflation	2.8%	2.5%
Short term rate of increase in salaries	1.0%	1.0%
Long term rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.0%	63.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2013 %	31 March 2012 %
Equity investments	76	72
Bonds	14	14
Property	7	9
Cash	3	5
Total	**100**	**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

%	2012/13	2011/12	2010/11	2009/10	2008/09
Difference between the expected and actual return on assets	8.2	(6.4)	(0.6)	19.6	(31.8)
Experience gains and losses on liabilities	0.0	(1.3)	0.1	(0.1)	0.3

40 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2012/13	2011/12
Housing rents	17,034	16,088
Revenue Support Grant	164	2,247
Council share of national non-domestic rates from national pool	8,435	7,268
Housing Benefit subsidies	35,834	33,385
Council share of Council Tax receipts	6,872	6,846
Cash paid to and on behalf of employees	(33,025)	(33,013)
Payments to the capital receipts pool	(1,036)	(1,310)
Housing Benefit paid	(17,615)	(16,882)
Interest received	584	619
Interest paid	(7,496)	(2)
HRA Self-financing settlement payment	0	(213,572)
Other operating cash flows	5,410	(6,778)
	15,161	**(205,104)**

41 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2012/13	2011/12
Purchase of property, plant and equipment, investment property and intangible assets	(16,246)	(12,839)
Purchase of short-term and long-term investments	(141,490)	(206,975)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,578	3,209
Proceeds from short-term and long-term investments	140,612	201,719
Other receipts from investing activities	3,555	1,551
	(8,991)	**(13,335)**

42 Cashflow Statement – Financing Activities

(£000s)	2012/13	2011/12
Cash receipts from long-term borrowing	0	213,497
Other receipts from financing activities	(3,217)	7,166
Net cash flows from financing activities	**(3,217)**	**220,663**

Other receipts from financing activities reflect movements in the cash collected for National Non-Domestic Rates and Council Tax collected by the Council as an agent for others.

43 Prior Period Adjustments

The accounting entries in respect of the reversal of revaluation losses previously charged to the Comprehensive Income and Expenditure Account have been reviewed for 2011/12. As a result of this review an additional net credit of £502,000 is required to other HRA gross expenditure as reported in the Comprehensive Income and Expenditure Statement in respect of the reversal of revaluation gains previously credited to the Revaluation Reserve in error.

The effect of the adjustment can be summarised as follows:

(£000s)	As previously stated	Restated
Effect on Comprehensive Income and Expenditure Statement:		
Gross Expenditure on HRA Services	31,273	30,771
Surplus on revaluation of Property, Plant and Equipment Assets	(4,467)	(3,965)
Movement in Reserves Statement		
Deficit on the Provision of HRA Services	209,320	208,818
Other Comprehensive Income and Expenditure	15,085	15,587
Adjustments between accounting basis and funding basis for the HRA	(210,842)	(210,340)
Unusable Reserves (Note 35)		
Revaluation Reserve	(42,317)	(41,815)
Capital Adjustment Account	(475,620)	(476,122)

The comparative figures in other notes to the accounts, including notes 4, 9 and 16 have been adjusted as necessary, together with the HRA statement itself. This restatement has no effect on the balance on the HRA as at 31 March 2012 as previously reported.

44 Impact of the adoption of new accounting standards on the financial statements – effective for the 2013/14 financial year

The *2013/14 Local Authority Accounting Code of Practice* includes changes to the classification, recognition, measurement and disclosure requirements relating to employee benefits, introduced by amendments to IAS19. A change in accounting policy will therefore be required as at 1 April 2013. The amendments include new classes of components of defined benefit cost and new recognition criteria for service costs and termination benefits. The Council's actuary estimates that the effect of the change to IAS19 on the Comprehensive Income and Expenditure Statement for 2012/13 would have been an additional notional charge of £1.033 million.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the actual cash paid. For this reason the amendments to IAS19 will not impact on the amounts charged to usable reserves, but will lead to offsetting adjustments to the Pensions Reserve and Pension Liability.

The 2013/14 Local Authority Accounting Code of Practice will also introduce changes resulting from *IAS1 Presentation of Financial Statements* – Other Comprehensive Income (June 2011 Amendments) and *IFRS7 Financial Instruments Disclosures* – Offsetting Assets and Liabilities (December 2011 Amendments). These amendments are not expected to lead to significant changes to the Statement of Accounts.

45 Date the Statement of Accounts were authorised for issue

The audited accounts were authorised for issue by the Director of Resources on 19 September 2013. This is the date up to which events after the balance sheet date have been considered.

Additional Financial Statements & Information

CAMBRIDGE
CITY COUNCIL

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	2012/13	2011/12 (as restated see Note 13)
Income			
Dwelling rents	2	(32,817)	(30,384)
Non-dwelling rents		(655)	(759)
Charges for services and facilities		(2,672)	(2,727)
Contributions towards expenditure		(477)	(708)
Reimbursement of costs		(21)	(21)
Total		**(36,642)**	**(34,599)**
Expenditure			
Repairs & Maintenance		7,680	5,929
Supervision & Management		6,369	6,331
Rents, rates, taxes & other charges		251	252
Depreciation & impairment		18,898	5,043
Negative HRA Subsidy	3	(12)	12,903
Increased provision for bad debts		73	238
Debt Management Costs		0	75
HRA self-financing settlement payment to government	12	0	213,572
Total		**33,259**	**244,343**
Net expenditure / (income) on HRA Services as included in the Comprehensive Income and Expenditure Statement		**(3,383)**	**209,744**
HRA services share of Corporate and Democratic Core		180	291
HRA services share of Non Distributed Costs		43	91
Net expenditure / (income) on HRA Services		**(3,160)**	**210,126**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Surplus) or deficit on sale of HRA non-current assets		(742)	(429)
Other income		(13)	(37)
Impairment losses on assets held for sale		17	0
Interest payable on PWLB loans		7,494	82
Interest and Investment Income		(474)	(862)
Capital Grants and Contributions Receivable		(316)	(62)
(Surplus) / Deficit for the year on HRA services		**2,806**	**208,818**

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2012/13	2011/12 (as restated see Note 13)
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		**2,806**	**208,818**
Adjustments between accounting basis and funding basis under statute			
Gain or loss on sale non-current assets		742	430
Other capital receipts		13	37
Impairment loss on assets held for sale		(17)	0
Net revaluation losses on property, plant and equipment		(8,191)	4,720
Revenue expenditure funded from capital under statute and de-minimus capital expenditure		(116)	(46)
Self financing settlement payment funded from capital under statute		0	(213,572)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		316	62
Movement in investment property value		15	447
Movement in short term accumulating absences		0	26
Net charges made for retirement benefits made in accordance with IAS19		(766)	(817)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund		787	865
Difference between amortisation of debt redemption premium determined in accordance with the Code and those determined in accordance with statute	5	301	346
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		10	9
Capital Expenditure funded by the Housing Revenue Account	8	7,447	1,842
Transfer from the Major Repairs Reserve	10	(3,259)	(4,689)
Net (increase) / decrease before transfers to or from reserves		**88**	**(1,522)**
Transfers to reserves		1,391	236
Total movement on Housing Revenue Account for the year		**1,479**	**(1,286)**
Housing Revenue Account balance brought forward		**(6,974)**	**(5,688)**
Housing Revenue Account balanced carried forward		**(5,495)**	**(6,974)**

Notes to the Housing Revenue Account

1 Introduction

The Local Government and Housing Act 1989 set the framework within which the HRA operates. The account is ‘ringfenced’, meaning that authorities do not have discretion to fund any HRA 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 2013, 2.1% of properties were vacant (1.76% at 31 March 2012).

The average rent payable in 2012/13 was £94.69 per week based on 48 payable rent weeks (£87.41 per week on a 52 week basis). The average rent payable in 2011/12 was £87.78 per week based on 48 payable rent weeks (£81.02 per week on a 52 week basis).

3 Housing Revenue Account Subsidy Payable

Following the introduction of Self-Financing for the Housing Revenue Account from April 2012, the Council is no longer required to pay Housing Revenue Account Subsidy to Central Government to match the surplus on the notional HRA.

Transactions in 2012/13 related solely to any retrospective adjustments in respect of subsidy payable for 2011/12 as follows:

(£000s)	2012/13	2011/12
Management and maintenance	0	12,061
Capital charges	0	495
	0	**12,556**
Notional rent	0	(30,650)
Interest on receipts	0	(1)
	0	**(18,095)**
Major Repairs Allowance	0	5,119
Subsidy Paid in Year	**0**	**(12,976)**
Adjustment to subsidy required in future years	0	(15)
Estimated adjustment to subsidy for prior year	0	2
Actual adjustment to subsidy for prior year	12	10
Adjustment for HRA self-financing interest	0	76
Negative subsidy included in HRA Summary	**12**	**(12,903)**

4 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2013	1 April 2012	2012/13	2011/12 (as restated)
Dwellings	486,502	491,714	10,478	9,673
Other Land and Buildings	9,267	9,458	118	114
Infrastructure	1,005	953	26	21
Investment Properties	4,423	4,808	0	0
Assets held for sale – long term	230	0	0	0
Assets held for sale - current	841	0	0	0
Surplus Assets	4,148	0	0	0
Assets in the course of construction	1,925	3,987	0	0
	508,341	**510,920**	**10,622**	**9,808**

The value of council dwellings at 1 April 2012, based on vacant possession, was £1,261 million (2011/12: £1,255 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.

Net revaluation losses on Property, Plant and Equipment of £8.2 million have been charged to the Comprehensive Income and Expenditure Statement in 2012/13 (net revaluation gains of £4.6 million in 2011/12). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

An impairment loss of £17,000 has been recognised in respect of land at Latimer Close where the expected fair value on disposal is lower than the previous valuation on an existing use basis.

De-minimis capital expenditure of £116,000 (2011/12 £46,000) has been written off during 2012/13.

5 Loan Interest Charges

During 2011/12 authorities managed their debt as a whole and no separate record was kept of loans taken out for HRA purposes. However notional HRA debt was estimated by reference to a calculation called the HRA capital financing requirement. The HRA capital financing requirement 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.

As noted elsewhere in the Statement of Accounts the Council made an HRA self–financing settlement payment of £213.6 million on 28 March 2012. To meet this payment the Council took out a number of long-term maturity loans with the Public Works Loan Board (PWLB).

Under HRA self-financing the Council has adopted a ‘two-pool’ approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7,494,000 being charged to the HRA in 2012/13.

6 Housing Stock

The Council was responsible for an average stock of 7,252 dwellings during the year. The stock as at 31 March 2013 was as follows:-

(£000s)	31 March 2013	31 March 2012
Houses & bungalows	3,658	3,697
Flats	2,966	3,058
Sheltered housing units	520	525
Shared ownership properties	39	40
Total	**7,183**	**7,320**
The change in stock during the year can be summarised as follows:		
Stock at 1 April	**7,320**	**7,330**
Right to buy sales	(41)	(12)
Net shared ownership changes	(1)	0
New properties	2	2
Other changes	(6)	0
Vacant awaiting re-development/disposal	(91)	0
Stock at 31 March	**7,183**	**7,320**

Those properties which are vacant awaiting demolition or significant redevelopment are no longer treated as lettable HRA dwellings and are therefore included in Property, Plant and Equipment as Other Land and Buildings, or as Assets held for Sale as appropriate.

7 Rent Arrears

Rent arrears at 31 March 2013 were £1,523,287 (£1,518,854 at 31 March 2012) and as a proportion of gross rent income have decreased from 4.59% in 2011/12 to 4.30% in 2012/13.

At 31 March 2013 a provision for bad debt of £1,204,518 was held in the balance sheet (£1,232,318 at 31 March 2012).

8 Financing of Capital Expenditure

(£000s)	2012/13	2011/12
Capital receipts	362	3,663
Major repairs reserve	3,424	4,300
Revenue financing of capital	7,447	1,842
Capital contributions and grants	306	258
	11,539	**10,063**

Capital expenditure in the year was all in relation to HRA stock apart from £79,000 (£209,000 in 2011/12) which was spent on HRA infrastructure assets, £270,000 on other land and buildings (£94,000 in 2011/12) , £0 on investment properties (£35,000 in 2011/12), and £1,172,000 (£3,229,000 in 2011/12) on assets in the course of construction.

9 Capital Income within the HRA

(£000s)	2012/13	2011/12
Dwellings	4,441	2,027
Land	13	37
	4,454	**2,064**

10 Major Repairs Reserve (MRR)

(£000s)	2012/13	2011/12 (as restated)
Balance at 1 April	**(1,171)**	**(352)**
Transfer to MRR during the year	(10,623)	(9,808)
Amount transferred from MRR to HRA	3,259	4,689
HRA capital expenditure on housing charged to MRR	3,424	4,300
Balance at 31 March	**(5,111)**	**(1,171)**

11 Contributions from the Pensions Reserve

The Housing Revenue Account is charged with an attributable share of current service costs in line with IAS19. The difference between this cost and employer contributions payable is then appropriated from the pensions reserve so that the overall amount to be met from rent and government subsidy reflects employer contributions payable by the Council.

12 HRA self-financing settlement payment

The Council made a settlement payment to central government in respect of self-financing of the HRA in March 2012.

13 Prior Period Adjustments

The prior year comparative figure for depreciation and impairment has been restated as detailed in Note 43 to the main statement of accounts. This restatement has no impact on the balance on HRA reverses as previously stated.

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	2012/13	2011/12
Income and Expenditure Account	**1**		
Income			
Council Tax	2	(60,238)	(58,183)
National Non-Domestic rates	3	(89,727)	(88,062)
Contributions towards previous year's estimated Collection Fund deficit			
Cambridge City Council		(87)	(42)
Cambridgeshire County Council		(548)	(262)
Cambridgeshire Police Authority		(89)	(42)
Cambridgeshire Fire Authority		(30)	(14)
		(150,719)	(146,605)
Expenditure			
Precepts and demands:			
Cambridge City Council		6,831	6,786
Cambridgeshire County Council		44,238	42,685
Cambridgeshire Police Authority		7,157	6,908
Cambridgeshire Fire Authority		2,432	2,358
Allowable costs of NNDR collection		231	233
Payment to NNDR Pool	3	89,496	87,829
Provision for non-payment of Council Tax	4	331	469
		150,716	**147,268**
(Surplus) / Deficit for the year	**5**	**(3)**	**663**
(Surplus) / Deficit as at 1 April		**1,384**	**721**
Deficit as at 31 March	**5**	**1,381**	**1,384**

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 2013 was set at £1,479.04, made up as follows:

(£000s)	2012/13	2011/12
Cambridge City Council	166.57	166.57
Cambridgeshire County Council	1,078.65	1,047.78
Cambridgeshire Police Authority	174.51	169.56
Cambridgeshire Fire Authority	59.31	57.87
Total	**1,479.04**	**1,441.78**

The following table shows the calculation of the Council Tax Base for 2012/13 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2012/13

Valuation Band	Total number of dwellings on the Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc)	Ratio to Band D	Band D Equivalents
A	2,842	2,094	6/9	1,396
B	9,484	7,552	7/9	5,874
C	17,554	15,055	8/9	13,382
D	8,543	7,255	9/9	7,255
E	4,865	4,189	11/9	5,119
F	3,070	2,636	13/9	3,808
G	2,834	234	15/9	3,889
H	448	255	18/9	510
Total	**49,640**	**39,270**		**41,233**

The income of £60.24 million in 2012/13 was receivable from the following sources:

(£000s)	2012/13	2011/12
Billed to Council Tax payers	53,875	51,977
Transfer from General Fund – Council Tax benefits	6,337	6,180
Ministry of Defence Contributions in Lieu	26	26
Total	**60,238**	**58,183**

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 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 2013 was £255,874,011 (£257,462,261 at 31 March 2012) and the Uniform Business Rate in 2012/13 was set by the government at 45.8p (2011/12, 43.3p).

4 Provision for Non-Payment of Council Tax

A contribution of £331,457 (£469,315 in 2011/12) was made to a provision for bad debts. During 2012/13, £1,843 of irrecoverable debts were written off (2011/12 £283,637).

5 Collection Fund Surpluses and Deficits

The deficit of £1,381,288 at 31 March 2013 (£1,383,787 deficit at 31 March 2012), 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 2013	31 March 2012
Cambridge City Council	157	158
Cambridgeshire County Council	1,005	1,007
Cambridgeshire Police Authority	163	163
Cambridgeshire Fire Authority	56	56
	1,381	**1,384**

Statement of Accounting Policies & Glossary of Financial Terms & Abbreviations

CAMBRIDGE
CITY COUNCIL

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (e.g. in the collection of NNDR and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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

4 Changes in Accounting Policies and Estimates and Errors

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

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

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

5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or 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 an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. No MRP is currently charged as the debt acquired in relation to HRA self-financing is outside the scope of this regime.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is credited and the HRA balance is debited with a sum equal to depreciation on all HRA non-current assets. The

HRA balance is credited and the Capital Adjustment Account debited with the depreciation charged on dwelling assets so that the depreciation on non-dwelling assets is now a charge to the HRA.

6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, flexi-leave and time off in lieu for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

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

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

Post Employment Benefits

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

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

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the gilt yield applied to the cash flows of a typical Local Government Pension Scheme employer and the mean credit spread applying to AA corporate bonds within the IBoxx over 15 years index).
- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - Contributions paid to the Cambridge City Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

7 Events after the Reporting Period

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

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

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

8 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the account.

9 Financial Liabilities

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

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

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

10 Financial Assets

Financial assets are classified into two types:

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

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

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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 Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a change made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

11 Government Grants and Contributions

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

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

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

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

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

12 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised),

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

13 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.

14 Investment Properties

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

Investment properties are measured initially at a cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated, but assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee and the fair value of the property, plant or equipment at lease inception is above the Council's de-minimis levels of £2,000 for vehicles and £15,000 for other items. All other leases are classified as operating leases.

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the

Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

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

17 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower end of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. Housing sold under the Right to Buy legislation is not reclassified as Assets Held for Sale as its primary purpose remains as a dwelling until the point of disposal and it is only considered significantly more likely than probable that a disposal will actually occur on the day of disposal itself.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

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

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

18 Heritage Assets

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

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

Civic Regalia

The collection of civic regalia includes ceremonial maces, chains of office and other civic items. These items are reported in the balance sheet at insurance valuation which is based on market values. These valuations are reviewed regularly to ensure that they are current. These items are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where there is physical deterioration, breakage or doubts as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment of non-current assets.

The Council does not normally make any purchases or disposals of these items. Further information on the most significant items in the collection can be found on the Council's website.

19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

21 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 non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital

Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22 Value Added Tax (VAT)

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

23 Foreign Exchange Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate on the date that the transaction was effective. Where amounts in foreign currency are outstanding at the year end they are converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

Amortisation

A measure of the consumption of the value of intangible assets, based on the remaining economic life.

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.

Cash Equivalents

Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

A measure of the consumption of the value of non-current assets, based on the remaining economic life.

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 arm's length transaction.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a non-current 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.

Government Grants

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

Heritage Assets

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

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.

Non-current assets

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

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 council 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 non-current 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

Grant paid by central government to a local council towards the costs of its services.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. This specifies the principals and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

Abbreviations used in the accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Practice
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
LAAP	Local Authority Accounting Panel
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
SERCOP	Service Reporting Code of Practice
SOLACE	Society of Local Authority Chief Executives and Senior Managers