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Cambridge City Council

CIVIC AFFAIRS

To: **Committee Members:** Councillors Rosenstiel (Chair), Cantrill (Vice-Chair), Benstead, Herbert, Johnson and Pitt

Alternates: Councillors Ashton and Boyce

Despatched: Wednesday, 11 September 2013

Date: Thursday, 19 September 2013

Time: 6.00 pm

Venue: Committee Room 1 & 2 - Guildhall

Contact: Glenn Burgess

Direct Dial: 01223 457013

AGENDA

1 APOLOGIES FOR ABSENCE

2 MINUTES OF PREVIOUS MEETING *(Pages 7 - 14)*

To approve the minutes of the meeting held on 26 June 2013.

3 DECLARATIONS OF INTEREST

Members are asked to declare at this stage any interests that they may have in any of the following items on the agenda. If any member is unsure whether or not they should declare an interest on a particular matter, they are requested to seek advice from the Head of Legal Services before the meeting.

4 PUBLIC QUESTIONS

- 5 **ERNST AND YOUNG EXTERNAL AUDIT CONCLUSIONS AND APPROVAL OF STATEMENT OF ACCOUNTS** *(Pages 15 - 200)*

- 6 **ANNUAL COMPLAINTS REPORT 2012/13** *(Pages 201 - 226)*

- 7 **COMPLAINT CONCERNING NUISANCE CAUSED BY THE USE OF THE GUEST HOUSE AT 70 GREEN END ROAD**

Report attached separately

- 8 **UPDATE REPORT ON THE BUDGET SETTING PROCESS**

Report attached separately

- 9 **REVIEW OF POLLING DISTRICTS, POLLING PLACES AND POLLING STATIONS** *(Pages 227 - 236)*

- 10 **CONSIDERATION OF MEASURES TO DISCOURAGE TAX AVOIDANCE** *(Pages 237 - 248)*

- 11 **IMPLEMENTATION OF NATIONAL PAY AWARD** *(Pages 249 - 252)*

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CIVIC AFFAIRS

26 June 2013
(6.00 - 9.00pm)

Present: Councillors Rosenstiel (Chair), Cantrill (Vice-Chair), Ashton, Herbert, Johnson and Pitt

Officers present:

Chief Executive- Antoinette Jackson

Director of Resources – David Horspool

Head of Accounting Services – Julia Minns

Head of Human Resources – Deborah Simpson

Head of Internal Audit – Steve Crabtree

Head of Legal Services - Simon Pugh

Strategic Procurement Advisor – Debbie Quincey

Principal Auditor – Bridget Bishop

Ernst & Young (External Auditors) – Mark Hodgson

Independent Persons – Sean Brady and Rob Bennett

FOR ADOPTION BY THE COUNCIL

CIV/33/13 Apologies for absence

Apologies were received from Cllr Benstead.

CIV/34/13 Minutes of previous meeting

The minutes of the meetings held on 17 April, 13 and 23 May were signed as correct records by the Chair.

CIV/35/13 Declarations of Interest

There were declarations of personal interests under 13/41/CIV by Councillor Johnson (member of Unison trades union) and Councillor Pitt (member of NTL trades union).

CIV/36/13 Public Questions

There were no public questions.

CIV/37/13 Annual Review of the Effectiveness of Internal Audit - 2012-13

The Director of Resources introduced the report which had incorporated a new Standards regime for internal audit in the UK, the 'Public Sector Internal Audit Standards'. An important action under the Compliance and Quality Improvement Plan (pages 42-43) was that External Assessments must be conducted at least once every five years from a qualified independent assessor from outside the organisation. The Head of Internal Audit would be bringing a report to committee setting out how this new arrangement could work and noted Cllr Cantrill's comment that it should be within three years, not five.

Resolved-

To note the Review of the Effectiveness of Internal Audit 2012/13

CIV/38/13 Head of Internal Audit - Annual Audit Opinion 2012-13

The Head of Internal Audit introduced the report reviewing the past year. There had been a year on year increase in audits delivered since 2011/12, an improvement in the assurance ratings and overall the direction of travel was positive. Risk management software has improved internal processes.

Cllr Herbert asked about the ten audits that gave only limited assurance and what follow up had there been undertaken to ensure actions were complete. He challenged the wording of the overall Opinion (in para 3.1) bearing in mind the budget forecasting error which had been debated at April's committee meeting. The Head of Internal Audit undertook to provide the detail on the ten audits listed in summary in 4.6 of the Opinion. He also advised that the Opinion was given solely on the basis of the work Internal Audit had undertaken in 2012/13.

In response to a question from Cllr Cantrill on how are outstanding actions were escalated, the Head of Internal Audit advised that Risk Registers were discussed at Departmental Management Teams quarterly and strategic risks

were reported to Strategic Leadership Team (with the next due in July) and as appropriate also shared with Executive Councillors.

Members of the committee welcomed the report and having reviewed and provided challenge to the opinion of the Head of Internal Audit, were of the view that a half year update, including a review of outstanding actions should be provided to the November committee meeting.

Resolved-

That an interim progress report from the Head of Internal Audit be brought to its 20 November meeting.

CIV/39/13 Assurance Framework and Draft Annual Governance Statement 2012-13

The Head of Legal Services introduced the report. In response to a question from the Chair, the Head of Legal Services advised that a report would be submitted to the committee on developing the role of the Independent Persons (Mr Sean Brady and Mr Rob Bennett).

The committee noted and reviewed the Annual Governance Statement and;

Council is recommended

To approve the Code of Corporate Governance.

CIV/40/13 Statement of Accounts 2012-13

The Head of Accounting Services introduced the report and circulated a table of minor typographical corrections to the accounts as published in the agenda (members of the committee reported other minor errors during debate which were noted).

In response to a request from Councillor Pitt, the Head of Accounting Services would consider how best to provide councillors with a non-technical briefing prior to the 19 September meeting at which the accounts are submitted for signing off.

Resolved –

To note the draft Statement of Accounts presented and that accounting policies and treatments on which they are prepared be approved.

CIV/41/13 Annual Report on Prevention of Fraud & Corruption Policy and Implications of the Bribery Act

The Principal Auditor introduced the report. Regarding the changes to the Code of Conduct for Employees, Councillor Johnson asked for an update to the comments in paragraph 9.1 regarding consultation between the Head of HR and the unions. The Committee was advised by the Head of HR that there were on-going discussions about trade union activity outside of the Council and in relation to the Council employee's role for the Council. It could be following these discussions that clearer guidance/advice to employees is required.

Cllr Herbert asked if there could be greater transparency in officer interests eg. if a town planner has links with a developer then that should be publicly known. This goes beyond the senior officer interests which the Chief Executive reviewed annually. Openness should reflect the areas of work that council officers engage in and the relationship that work has with the decision-making of the Council. The Chief Executive undertook to look at this with the Head of Legal Services.

The committee noted the details of fraud/whistle-blowing activity for the two years 2011/12 and 12/13 and recorded its thanks for the work undertaken on preventing fraud and corruption.

Resolved –

To approve the changes to the Prevention of Fraud and Corruption (PFC) Policy and the content of the addendum to the PFC Policy plus the changes proposed to the Officer Code of Conduct to reflect the requirements of the Bribery Act.

To approve the amendments proposed to the Officer Code of Conduct to reflect the changes made to the guidance on gifts and hospitality and declarations of conflicts of interest.

CIV/42/13 Update on actions to address issues emerging from the budget forecasting error

The Chief Executive introduced the report. The Committee welcomed the proposals to change the approach for the MTS process and member scrutiny by Strategy & Resources Scrutiny Committee on 30 September. Members explicitly requested the mid-year financial review should also cover financial performance for the first quarter of 2013/14, reporting in-year variances and in-year specific issues. There was general agreement of the need to make the report understandable so that it could be a useful tool for Members in performing their duties.

Cllr Herbert requested further information at a later stage on the structure of the Budget Setting Report.

With regard to the recommendation on designating a new Head of Finance post as Section 151 Officer, the Chief Executive highlighted to the Committee that this proposal would be a departure from CIPFA guidelines (para 4.3/4.6) and reference would need to be made in future Annual Governance Statements.

Cllr Herbert stated that the word 'endorse' in the recommendation was presumptuous as the Chief Executive's report to the Leader and the Strategy and Resources Scrutiny Committee on a restructure of senior management in the Resources Department had only just been published and therefore this committee did not have the detail before it. The Committee agreed to a more appropriate resolution by removing 'endorse' with 'raises no concerns about'.

Resolved –

Subject to more detailed consideration by the Council, following the Chief Executive's report to the Leader and Strategy & Resources Scrutiny Committee, the Committee raises no concerns about the proposal to designate a new Head of Finance post as Section 151 Officer.

Council is recommended-

That the Budget Setting Report should be the place where the Council sets out its medium term financial strategy in future years, rather than being produced as a separate Medium Term Strategy document

That the Council undertakes a Mid-Year Financial Review in its autumn cycle comprising the following core elements:

- a) To consider the implications of year-end actuals on both revenue and capital expenditure going forward and level of reserves and first quarter performance against agreed budget
- b) To consider any implications from the Annual Statement
- c) To reflect any changes from the Government's Budget and Spending Review Announcements
- d) To test underlying assumptions about inflation and interest rates in the light of latest information and conditions
- e) To review forecasts on retained business rate and Council Tax in light of actual growth and latest projections
- f) To consider what impact all of the above have on reserves and future savings targets

That the proposed Mid-Year Financial Review document should be considered by Strategy & Resources Scrutiny Committee before the Leader makes a recommendation to Council.

To delegate authority to the Chief Executive to amend the Council's Constitution to reflect these new arrangements.

CIV/43/13 Review of the Council's Contract Procedure Rules (Part 4G of the Constitution)

The Strategic Procurement Advisor introduced the report. Members of the Committee debated the pros and cons of having one written quotation (as recommended) or two, for contract values under £10,000 and on whether seeking 'best value' was preferred to 'value for money'. The Strategic Procurement Advisor stated that a lot of these contracts would, in time, be picked up in wider corporate contracts and the guidance given to officers would explain that it was good practice to obtain more than one quotation. The Committee was satisfied to keep with one written quotation as the mandatory requirement but to re-word the table at the front of the Rules to emphasise the

need to get best value. The Committee did agree that it was important to obtain (rather than just invite) in writing quotes (£10,000-£49,999).

The Committee welcomed the fact there would be clarity over who took responsibility for procurements and requested that the summary table at the front of the Rules include an additional column to reflect who would be accountable and who would appoint that person.

Council is recommended –

To approve the changes to Part 4G of the Constitution, Contract Procedure Rules for implementation with effect from 1 November 2013. (Nb. These are appended to the adoption minute with the Committee's changes incorporated and highlighted)

CIV/44/13 Elections May 2013 (Review), Elections in 2014 (Issues) Individual Electoral Registration and consultation on electoral fraud

The Chief Executive introduced the report. Referring to the location of polling stations, members of the Committee asked that with the upcoming polling district review, an opportunity to look at location for stations would be welcomed. The Chair asked that the signage showing the alphabetical split by address within the dual stations is made clearer.

In discussion on the complaint alleging a forged signature on a nomination paper, Cllr Pitt stated for the record that he believed (but did not know for sure as identities had not been revealed as it was with the police) that the complainant was known to him.

On the part of the report focussed on the Electoral Commission's Issues Paper on electoral fraud and specifically postal voting, more of the Committee were against any ideas to restrict postal voting to help combat fraud.

Resolved –

To agree that the Annual Meeting of the Council is held on Thursday 12 June 2014 if the date of the local elections are confirmed as 22 May 2014 and that officers report to the next meeting with committee dates for 2014/15.

Agree that a response to the Electoral Commission's issues paper on electoral fraud be circulated to the committee with a final response sent following consultation with Chair and spokes.

The meeting ended at 9.00pm

CHAIR

CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Resources

TO: Civic Affairs Committee

19/9/2013

WARDS: None directly affected

ERNST AND YOUNG EXTERNAL AUDIT CONCLUSIONS AND APPROVAL OF STATEMENT OF ACCOUNTS

1 INTRODUCTION

- 1.1 Ernst and Young has now largely completed the audit of the Statement of Accounts for 2012/13. However, before giving the formal opinion on the accounts there is a requirement to present their audit findings and to obtain a letter of management representation signed by both the Director of Resources and a member on behalf of 'those charged with governance.' Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.
- 1.2 Ernst and Young's report on their audit is attached at Appendix A and a representative will be at the meeting to present and discuss the contents.
- 1.3 The Accounts and Audit Regulations require that the accounts be approved by resolution of a committee of the Council (or the full Council) by 30 September 2013. Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.
- 1.4 A version of the Annual Report incorporating a brief summary of the Statement of Accounts has now been drafted based on the audited financial statements.

2 RECOMMENDATIONS

- 2.1 That the Committee receive the report presented by Ernst and Young.

- 2.2 That the Statement of Accounts for the year ending 31 March 2013 be approved.
- 2.3 That the Chair of the meeting be authorised to sign the Letter of Representation and audited Statement of Accounts for the financial year ending 31 March 2013 on behalf of the Council.

3 BACKGROUND

- 3.1 Approval of the Statement of Accounts for 2012/13 by the Civic Affairs Committee and publication of those accounts is required by 30 September 2013, in line with the Accounts and Audit Regulations.
- 3.2 The Civic Affairs Committee reviewed the draft Statement of Accounts for 2012/13 on 26 June 2013. Ernst and Young have since been carrying out their audit. Changes made to the accounts since the draft was reviewed by the Committee in June are discussed in section 4 below and are presented in Appendix B.
- 3.3 International Auditing Standard (UK and Ireland) 260 requires auditors to communicate a number of matters to those charged with governance, before issuing their audit opinion.
- 3.4 International Auditing Standard (UK and Ireland) 580 requires the auditor to have received a Letter of Representation drawn up by the Council that provides written confirmation on matters that might be relevant or significant to the statement of accounts. This letter is signed as near as possible to the date of the auditor issuing his opinion. The auditing standard requires that the letter is 'discussed and agreed by those charged with governance and signed on their behalf..... to ensure that all those charged with governance are aware of the representations on which the auditor intends to rely in expressing the auditor's opinion on those financial statements'. Ernst and Young therefore requires the Letter of Representation to be signed by the Director of Resources and by the Chair of Civic Affairs Committee. A draft of the letter is included at Appendix C.

4 CHANGES TO THE ACCOUNTS SINCE CIVIC AFFAIRS REVIEW IN JUNE

- 4.1 A schedule of changes made to the accounts, since presentation of the draft to Civic Affairs in June 2013, is provided at Appendix B. The revised version of the Annual Report and Statement of Accounts, incorporating these changes, is provided at Appendix D.

- 4.2 In particular, consensus has been reached with external audit on the accounting treatment of HRA properties earmarked for redevelopment and disposal.
- 4.3 The adjustments required to the main financial statements have had no impact on the Council's total usable financial reserves as reported in June 2013.
- 4.4 As detailed in the Movement in Reserves Statement on Page 9 of the Statement of Accounts, usable reserves totalled £60.1 million at 31 March 2013. These reserves comprised:

	£'000
General Fund Balance	(7,995)
Housing Revenue Account Balance	(5,495)
Earmarked General Fund Reserves	(20,236)
Earmarked HRA Reserves	(3,863)
Capital Receipts Reserve	(13,210)
Major Repairs Reserve	(5,111)
Capital Grants Unapplied	(4,155)
Total Usable Reserves	(60,065)

- 4.5 Further detail on the earmarked reserves can be found in Note 5 to the Statement of Accounts.
- 4.6 The remaining adjustments have been made to correct typographical errors or to aid understanding of the disclosure notes.

5 SUMMARY STATEMENT OF ACCOUNTS

- 5.1 The audited Statement of Accounts is required to follow a largely prescribed format as laid down by The Code of Practice on Local Authority Accounting in the United Kingdom.
- 5.2 A brief summary of the accounts, designed to be easier for the general public to interpret, together with the annual report has been drafted and is provided at Appendix E for information. This document will be published on the Council's website together with the full version.

6 IMPLICATIONS

(a) **Financial Implications** None

(b) **Staffing Implications** None

(c) **Equal Opportunities Implications**

An Equalities Impact Assessment was not required as no revision to a strategy, policy, plan service or contract is being proposed. The Statement of Accounts and the summary document can be made available in accessible formats on request.

(d) **Environmental Implications**

None. Paper copies of the Annual Report and Statement of Accounts and Summary document will only be produced on request. Electronic versions will be available on the Council's website.

(e) **Procurement** None

(f) **Consultation and communication**

The full and summary accounts will be published on the Council's website. A notice advertising that the audit of the accounts has been concluded will be published in the Cambridge News and on the website.

(g) **Community Safety** None

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

None

To inspect these documents contact Charity Main on extension 8152.

The author and contact officer for queries on the report is Charity Main on extension 8152.

Report file:

Date originated: 09 September 2013

Date of last revision: 09 September 2013

Cambridge City Council

Civic Affairs Committee Summary

For the year ended 31 March 2013

Audit results report – ISA 260

19 September 2013

Page 19



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Contents

Page 20

- ▶ Executive Summary
- ▶ Extent and progress of our work
- ▶ Addressing audit risk
- ▶ Financial statements audit – findings & issues
- ▶ Arrangements to secure economy, efficiency and effectiveness
- ▶ Independence and Audit Fees
- ▶ Appendices

Executive Summary

Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to 'those charged with governance' on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2012/13 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial Statements

- ▶ As of 19 September 2013, we expect to issue an unqualified opinion on the financial statements.

Value for Money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources but will report an exception in respect of arrangements for maintaining a sound system of internal control.

Whole of Government Accounts

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit Certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the Audit Opinion.

Extent and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- ▶ Express an opinion on the 2012/13 financial statements
- Report on any exception on the governance statement or other information included in the foreword
- As a component auditor, follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)
- This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and material internal control findings.
- This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than this specified parties.

Addressing audit risks

Significant Audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Significant audit risks		
<p>Valuation of property assets</p> <p>This is a significant accounting estimate. The high values of property mean that the impact of inappropriate or erroneous assumptions in the valuation of properties could lead to a material error in the financial statements.</p>	<p>We sought to place reliance on the valuations obtained by the Council from external valuers (management’s expert). We:</p> <ul style="list-style-type: none"> • Evaluated the competence , capabilities and objectivity of management’s experts; • Obtained an understanding of the work of management’s experts • Evaluated the work of management’s experts • Concluded whether the work of management’s experts was adequate for our purposes. 	<p>We concluded that work of management’s experts was adequate for our purposes and we could rely on the external valuers.</p> <p>Our audit discussions with officers identified an issue with the accounting treatment and classification of social housing designated for redevelopment which resulted in the need for those properties to be valued on different basis .</p> <p>This resulted in an overstatement of the asset values by £6.065m and the financial statements have been amended for this error.</p>
Other audit risks		
<p>Material misstatements arising from fraud</p> <p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.</p>	<p>Based on the requirements of auditing standards our approach focused on:</p> <ul style="list-style-type: none"> • Identifying any fraud risks during the planning stages. • Inquiry of management about risks of fraud and the controls put in place to address those risks. • Understanding the oversight given by the Civic Affairs Committee, as those charged with governance, of management’s processes over fraud. • Consideration of the effectiveness of management’s controls designed to address the risk of fraud. • Determining an appropriate strategy to address those identified risks of fraud. • Performing mandatory procedures regardless of specifically identified fraud risks. 	<p>Our audit procedures and testing have not identified any instances of misstatements arising from fraud.</p>

Financial Statements audit

Issues and errors arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit Committee meeting:
 - ▶ Receipt of a Letter of Representation.
 - ▶ Whole of Government Accounts
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Corrected Errors

Our audit identified a limited number of numerical and disclosure errors which my team have highlighted to management for amendment. All of these have been adjusted during the course of our work.

We consider a number of these errors to be significant and we set out the context and nature of them in Appendix 1 to this report.

Uncorrected Errors

There remain no unadjusted errors for your consideration.

Other Matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- Qualitative aspects of your accounting practices;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

We have no matters we wish to report.

Findings and issues

Internal Control

Internal Control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for me to complete my audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- ▶ it is consistent with other information that we are aware of from our audit of the financial statements.

Internal Control Weakness

In December 2012, the Council notified us of an issue with the 2013/14 budget setting process and an identified gap within the budget and the Medium Term Financial Plan.

We identified this as a significant risk to the Value for Money conclusion (financial resilience and underlying criteria of budget setting / internal control).

We carried out additional work in relation to the Council's budget setting process and reported our findings to the Chief Executive on 23 January 2013 and 19 February 2013.

We found that the budget gap of £2.3m had occurred as a result of an unidentified error in the opening reserve figure. The internal control framework was not operating as it was designed and adequate scrutiny and review of the budgets had not taken place and version control was weak, so that the error was not identified.

The council has now put in place an action plan to address the weaknesses identified

We have concluded that this weakness did not increase the risk of a material error in your 2012/13 financial statements.

We have concluded that this weakness is relevant to my consideration the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and intend to report it as an exception to my overall conclusion.

Findings and issues

Written Representations & Whole of Government Accounts

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, for which we do not currently have sufficient audit evidence. We have not requested any non standard representations.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of my report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Cambridge City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 - Arrangements for securing financial resilience

- ▶ *“Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future”*
- ▶ We did identify a significant risk in relation to this criteria as a result of the potential control weaknesses in the budget setting process.
- ▶ We have concluded that the Council's arrangements for securing financial resilience are adequate.

Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

- ▶ *“Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.”*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We have no issues to report in relation to this criteria.

Other Considerations

- In meeting our responsibility relating to economy, efficiency and effectiveness, the Audit Commission Code of Audit Practice requires auditors to review and, where appropriate, examine evidence that is relevant to the audited body's underlying corporate performance and financial management arrangements.
- We have concluded that the significant internal control weaknesses identified in relation to budget setting should be reported as an exception. This does not modify our overall conclusion.
- The exception wording of our Value For Money (VFM) conclusion is shown at Appendix 2.

Independence

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 20 March 2013.
- ▶ We complied with the Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 19 September 2013.
- ▶ We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (ISA) 260. Our communication plan to meet these requirements were set out in our Audit Plan 20 March 2013.

Audit Fees

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2012/13	Scale fee 2012/13	Variation comments
	£s	£s	
Total Audit Fee - Code work	86,405	68,405	Additional fee of £18,000 agreed to address risk of budget setting control weaknesses (Phase 1).
Certification of claims and returns	12,900	12,900	Work not yet complete
Non-Audit work	21,000	n/a	Phase 2 work in relation to the Budget Setting issue.

- ▶ Our actual fee is in line with the proposed final fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have undertaken work outside of the Audit Commission’s Audit Code requirements (non-code) . We were engaged by the Council to investigate the error in the budget setting process, as set out in the table opposite.

Appendix 1 - Adjusted Audit errors

The following adjustments, which are greater than £0.148m, have been identified during the course of our audit.

These adjustments have been made by management within the revised financial statements

Item of Account	Nature of Error	Error Type	Statement of Comprehensive Income & Expenditure		Balance Sheet	
			Debit	(Credit)	Debit	(Credit)
Property, Plant and Equipment	Valuation basis change	F				(5,882,274)
Short Term Assets Held for Sale	Valuation basis change	F				(183,000)
Revaluation Reserve	Valuation basis change	F			5,071,122	
Non Distributed Costs	Valuation basis change	F	1,330,872			
Other Operating Expenditure	Valuation basis change	F		(336,720)		
Balance sheet totals					5,071,122	(6,065,274)
Income effect of corrected adjustments			1,330,872	(336,720)		
Cumulative effect of uncorrected misstatement			<i>NIL</i>			

Key

- ▶ F – Factual error
- ▶ P – Projected error based on audit sample error and population extrapolation
- ▶ J – Judgemental error

Appendix 2 – Modified VFM Conclusion

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.

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

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.

Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



**Cambridge City Council Statement of Accounts 2012/13
Changes to accounts since Civic Affairs June 2013**

APPENDIX B

Details of Change	Reason for Change	Note/Statements Affected
Change Director of Resources statement from 'In my opinion..' to 'I certify..'	External audit requirement that the certification is a statement rather than an opinion.	Introduction (Page 6)
Revision to accounting treatment and valuation basis of Housing Revenue Account Properties earmarked for redevelopment or disposal. Reduce book value of Property, Plant & Equipment from £619.8m to £613.9m and value of current assets held for sale from £1.0m to £0.8m. Corresponding changes to accounting for revaluation adjustments.	Revisions to the Council's initial treatment, communicated to auditors in May 2013, were not agreed until after the draft accounts were prepared.	Movement In Reserves (Page 9) Comprehensive Income & Expenditure Statement (Page 11) Balance Sheet (Page 12) Note 3 (Page 18) Note 4 (Page 19) Note 6 (Page 26) Note 9 (Pages 27 & 28) Note 16 (Page 34) Note 17 (Page 36) Note 27 (Page 46) Note 35 (Pages 50, 51 &52) HRA Income and Expenditure Account (Page 71) Statement of Movement on the HRA Balance (Page 72) Note 4 to the HRA (Page 74) Accounting Policy 5 (Page 85)
£120k moved from an earmarked reserve to being presented as a creditor.	Payment was made in April 2013, but agreed in 2012/13. Identified during external audit testing of payables vouchers.	Movement In Reserves (Page 9) Comprehensive Income & Expenditure Statement (Page 11) Balance Sheet (Page 12) Note 5 (page 25) Note 9 (pages 27&28) Note 30 (page 47) Note 37 (Pages 56&58)
Revisions to wording on estimation uncertainty within Note 2.	The draft accounts were based on the CIPFA model accounts wording. Ernst and Young believe that the original wording implied that the accounts included material errors and suggested alternative wording.	Note 2 (Page 17)

Cambridge City Council Statement of Accounts 2012/13
Changes to accounts since Civic Affairs June 2013

APPENDIX B

Page 34

Details of Change	Reason for Change	Note/Statements Affected
Details of amounts paid to the Mayor and Deputy Mayor outside of the Members Allowances Scheme have now been included in Note 12.	Transparency	Note 12 (Page 30)
Amended grants paid figure from £246,266 to £245,949 and number of members with an interest from 12 to 11.	Error in working paper identified during external audit.	Note 13 (Page 31)
Amended exit packages note to correct the number of departures and total cost.	Council officers identified two errors with the note included in the draft accounts.	Note 14 (Page 33)
Amounts and analysis of amounts included as audit costs have been amended. Total costs in 2011/12 amended from £125k to £130k. Total costs in 2012/13 amended from £119k to £120k.	Revised / simplified presentation of this note agreed with external audit.	Note 15 (Page 33)
Amended useful lives of other buildings to 50 – 60 years.	External audit identified a property with a life of 50 years.	Note 18 (Page 37)
Rearranged layout of intangibles note to make it clearer to follow.	External audit request.	Note 23
Amended split of lease payments between 1 to 5 years, and over 5 years.	Previous analysis was incorrect.	Note 24 (Page 42)
Amended minimum lease payments from £411k to £440k.	Typographical error.	Note 24 (Page 42)
Amended Loans & Receivables figures disclosed as financial instruments (both current and prior year).	Draft accounts excluded lease premium prepayment which should be included.	Note 37 (Pages 56, 58 & 60)
Amended fair value of assets in the local government pension scheme at 31 March 2011 from £130.1m to £132.6m.	Typographical error.	Note 39 (Page 64)

Cambridge City Council Statement of Accounts 2012/13
Changes to accounts since Civic Affairs June 2013

APPENDIX B

Details of Change	Reason for Change	Note/Statements Affected
Amended difference between the expected and actual return on assets in 2010/11 from 1.3% to -0.6%. Amend experience gains and losses on liabilities to -1.3% from 0.0% in 2011/12.	Typographical errors	Note 39 (Page 66)
Removed disclosure of amendment to treatment of £22k trading surplus in 2011/12 comparative.	Disclosure not required as not considered material.	Note 43 (Page 67)
Restated comparative 2011/12 figure in HRA Income and Expenditure Account for depreciation and impairment from £5.5m to £5.0m. Corresponding adjustments in Statement of Movement on the HRA balance, amending net revaluation losses from £3.7m to £4.7m and the transfer from the Major Repairs Reserve from £4.2m to £4.7m.	Typographical error. Comparative Draft statement of accounts not updated to match working papers.	HRA Income and Expenditure Account (Page 71) Statement of Movement on the HRA Balance (Page 72)
Amended HRA dwelling capital income from £4.6m to £4.4m	Incorrect figure included in draft accounts.	Note 9 to the HRA (page 76)
Amended total number of houses and bungalows from 3,659 to 3,658 and number of vacant properties from 90 to 91.	Incorrect figures included in draft accounts.	Note 6 to the HRA (Page 75)

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APPENDIX C

Mark Hodgson
Ernst & Young LLP
One Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

23 September 2013

Dear Mr Hodgson

Cambridge City Council - Audit for the 2012/13 year ended 31 March 2013

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers and members of Cambridge City Council, the following representations given to you in connection with your audit of Cambridge City Council's financial statements for the 2012/13 year ended 31 March 2013. All representations cover the Authority's accounts included within the financial statements.

Financial Statements and Financial Records

I have fulfilled my responsibility, under the relevant statutory authorities, for preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).

I acknowledge my responsibility for the fair presentation of the financial statements. I believe that the financial statements give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. I have approved the financial statements.

I have reviewed the accounts, reviewed all relevant written assurances relating to the accounts and made other enquiries as appropriate.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described within them.

I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

Fraud

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I confirm that I have disclosed the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

I have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, I have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. I have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

Compliance with Laws and Regulations

I have disclosed to you all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Information Provided and Completeness of Information and Transactions

The Council has provided:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
- Additional information as requested for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

All minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting held on 19 September 2013.

I confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including

sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of outstanding debt.

Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

I have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees given to third parties.

Subsequent events

Other than described in the financial statements, there have been no events subsequent to the period end which require adjustment or disclosure in the financial statements or notes thereto.

Accounting Estimates

I believe that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

In respect of accounting estimates recognised or disclosed in the financial statements:

- The measurement processes, including related assumptions and models, used in determining accounting estimates are appropriate and the application of these processes is consistent.
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions used in making accounting estimates appropriately reflects the intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

Going Concern

I have made you aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Signed on behalf of Cambridge City Council

I confirm that this letter has been discussed and agreed by the Civic Affairs Committee of Cambridge City Council on 19 September 2013.

Signed :

Signed :

David Horspool

Councillor C Rosentiel

Director of Resources

Chair of Civic Affairs Committee

Date :

Date :



ANNUAL REPORT AND STATEMENT OF ACCOUNTS

**FOR THE YEAR ENDING
31 MARCH 2013**

**FINAL DRAFT FOR CIVIC AFFAIRS –
19 SEPTEMBER 2013**

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

Cambridge City Council
Annual Report & Statement of Accounts
2012/13

Contents

Annual Report	i
Statement of Accounts	
Statement of Responsibilities.....	xv
Annual Governance Statement	xvii
Auditors' Report on the Accounts	xxv
Introduction to the Statement of Accounts	1
Main Financial Statements:	
♦ Movement in Reserves Statement.....	9
♦ Comprehensive Income and Expenditure Statement	11
♦ Balance Sheet	12
♦ Cash Flow Statement	13
Notes to the Main Financial Statements	16
Additional Financial Statements and Information:	
♦ Housing Revenue Account Income and Expenditure Account	71
♦ Statement of Movement on the Housing Revenue Account Balance	72
♦ Notes to the Housing Revenue Account	73
♦ Collection Fund.....	78
Statement of Accounting Policies and Glossary:	
♦ Statement of Accounting Policies.....	83
♦ Glossary of Financial Terms and Abbreviations	99

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.

Annual Report

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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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 CO₂ reduction targets.
- ◆ Developing a planned maintenance programme for the Council's administrative buildings that reduces the Council's running costs and level of CO₂ 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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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.

Annual Report

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.

Annual Report

- ◆ 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>

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of 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.

Annual Governance Statement

Scope of Responsibility

Cambridge City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cambridge City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, 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.

Annual Governance Statement

- ◆ 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'.

Annual Governance Statement

- ◆ 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.

Annual Governance Statement

- ◆ 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.

Annual Governance Statement

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 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.

Annual Governance Statement

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

Annual Governance Statement

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

Annual Governance Statement

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:

Antoinette Jackson
Chief Executive
Date:

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

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.

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

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

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

- 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:

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.

Introduction to the Statement of Accounts

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.

Introduction to the Statement of Accounts

(£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

Introduction to the Statement of Accounts

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.

Introduction to the Statement of Accounts

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.

Introduction to the Statement of Accounts

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:

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:

MAIN FINANCIAL STATEMENTS

Main Financial Statements

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)

Main Financial Statements

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)

Main Financial Statements

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

Main Financial Statements

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

Main Financial Statements

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

INDEX TO THE NOTES TO THE MAIN FINANCIAL STATEMENTS

1	Critical Judgements in Applying Accounting Policies	17
2	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	17
3	Material Items of Income and Expenditure	18
4	Adjustments between Accounting Basis and Funding Basis under Regulations	19
5	Movement in Reserves Statement – Transfers to / from Earmarked Reserves	25
6	Other Operating Expenditure	26
7	Financing and Investment Income and Expenditure.....	26
8	Taxation and Non Specific Grant Incomes	26
9	Amounts Reported for Resource Allocation Decisions	27
10	Trading Operations	29
11	Agency Services	30
12	Members' Allowances	30
13	Related Party Transactions.....	31
14	Employee Remuneration	31
15	Audit Costs.....	33
16	Property, Plant and Equipment	34
17	Property, Plant and Equipment – Revaluations	36
18	Property, Plant and Equipment – Depreciation.....	37
19	Heritage Assets.....	37
20	Capital Expenditure and Capital Financing.....	38
21	Capital Commitments.....	39
22	Investment Properties	40
23	Intangible Assets.....	41
24	Leases.....	42
25	Short-Term and Long-Term Investments.....	43
26	Long-Term Debtors	46
27	Assets Held for Sale.....	46
28	Debtors.....	47
29	Cash and Cash Equivalents.....	47
30	Short-Term Creditors	47
31	Receipts in Advance	48
32	Provisions.....	48
33	Grant Income	49
34	Usable Reserves.....	50
35	Unusable Reserves.....	50
36	Contingent Liabilities and Assets	54
37	Financial Instruments	56
38	Nature and extent of risks arising from financial instruments	58
39	Defined Benefit Pension Schemes	62
40	Cashflow Statement – Operating Activities.....	66
41	Cashflow Statement – Investing Activities	66
42	Cashflow Statement – Financing Activities.....	67
43	Prior Period Adjustments	67
44	Impact of the adoption of new standards.....	68
45	Date the Statement of Accounts were authorised for issue	68

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.

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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)

Notes to the Main Financial Statements

(£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)

Notes to the Main Financial Statements

(£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

Notes to the Main Financial Statements

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)

Notes to the Main Financial Statements

(£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)

Notes to the Main Financial Statements

(£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

Notes to the Main Financial Statements

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)

Notes to the Main Financial Statements

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)

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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).

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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
<i>Additions:</i>		
Subsequent expenditure	701	64
Net gains / (losses) from fair value adjustments	2,323	15,476
Disposals	0	(847)
<i>Transfers:</i>		
(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

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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%

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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)

Notes to the Main Financial Statements

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)

Notes to the Main Financial Statements

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)

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

(£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.

Notes to the Main Financial Statements

(£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

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

(£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 compulsorily purchased two houses, the first in 2003/04 and the second in 2006/07. The obligation to compensate the previous owners arises when the claimant actually claims compensation and such amount is agreed or awarded by the Lands Tribunal. The claimants have 12 years from the date of purchase to make a claim for compensation and are entitled to the value of land and property, plus interest accrued in accordance with the interest rate set in the Land Compensation Act 1961. The values plus accumulated interest at 31 March 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.

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

- ◆ 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.

Notes to the Main Financial Statements

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:

Notes to the Main Financial Statements

(£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.

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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).

Notes to the Main Financial Statements

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)

Notes to the Main Financial Statements

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:		
<i>Longevity at 65 for current pensioners</i>		
Men	21.0	21.0
Women	23.8	23.8
<i>Longevity at 65 for future pensioners</i>		
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%

Notes to the Main Financial Statements

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)

Notes to the Main Financial Statements

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.

Notes to the Main Financial Statements

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 A 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 and Information

Additional Financial Statements and Information

Housing Revenue Account Income and Expenditure Account

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

(£000s)	Note	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

Additional Financial Statements and Information

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)

Additional Financial Statements and Information

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)

Additional Financial Statements and Information

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).

Additional Financial Statements and Information

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).

Additional Financial Statements and Information

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.

Additional Financial Statements and Information

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.

Additional Financial Statements and Information

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

Additional Financial Statements and Information

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

Additional Financial Statements and Information

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 and Glossary of Financial
Terms and Abbreviations**

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

- 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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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)

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

- 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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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

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**ANNUAL REPORT AND
SUMMARY STATEMENT OF
ACCOUNTS**

**FOR THE YEAR ENDING
31 MARCH 2013**

DRAFT

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

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.

Annual Report

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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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.

Annual Report

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 CO2 reduction targets.
- ◆ Developing a planned maintenance programme for the Council's administrative buildings that reduces the Council's running costs and level of CO2 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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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.

Annual Report

- ◆ 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>

Summary Statement of Accounts

Introduction

The services provided by local councils affect everyone's quality of life. Money is needed to carry out the functions and services that the Council provides and the Council's accounts are an important element in demonstrating the stewardship of public money. They show the resources available and how they have been used to deliver everyday services to the City's residents, visitors, businesses and other organisations.

Each year, the Council is legally required to produce a Statement of Accounts that presents the Council's financial activities and gives details of the overall financial position, however, much of the information in the document is of a technical nature in order to satisfy statutory requirements.

The following Summary Accounts are intended to be a more user-friendly version of the detailed publication and to provide a brief overview of the Council's financial position for year ending 31st March 2013.

Director of Resources' Statement

The Council's Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on International Financial Reporting Standards.

The figures in this summary were originally compiled having regard to proper accounting practice. To help make this summary easier to understand we have simplified the presentation of some figures.

The full 2012/13 Statement of Accounts has been audited by the Audit Commission who gave an unqualified audit opinion.

David Horspool CPFA

A full copy of the Council's 2012/13 audited accounts is available on our website or from:

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

The Council can also produce electronic or large print copies. We can arrange for a summary in Braille, on tape or in another language, although this will take longer.

Summary Statement of Accounts

Income and Expenditure

This statement shows the costs of providing services in the year.

The total expenditure incurred in running our services was £128.8 million. Service income, such as fees and charges was £102.3 million. The net cost of each service, totalling £26.4 million, is shown in the table below.

	£m
Central services to the public (elections, land charges and local tax collection)	1.6
Cultural & related services	9.3
Environmental & related services	8.3
Planning services	6.2
Transport	(3.4)
Council housing (Housing Revenue Account)	(3.4)
Other housing services	5.0
Corporate and democratic services	2.9
Non-distributed costs	(0.1)
Cost of Services	26.4
Payments to the Government Housing Capital Receipts Pool	0.9
Surplus or deficit on the sale of assets	(0.6)
Interest receivable	(0.8)
Interest payable	7.5
Revision to estimated recovery of Icelandic bank deposits	0.1
Net income from commercial and industrial properties and changes in their value	(8.8)
Net pensions interest cost and expected return on pensions assets	2.7
Council tax income	(6.7)
Share of national business rates	(8.4)
Non-ringfenced government grants	(2.4)
Capital grants and contributions	(1.6)
Net Deficit for the year	8.3

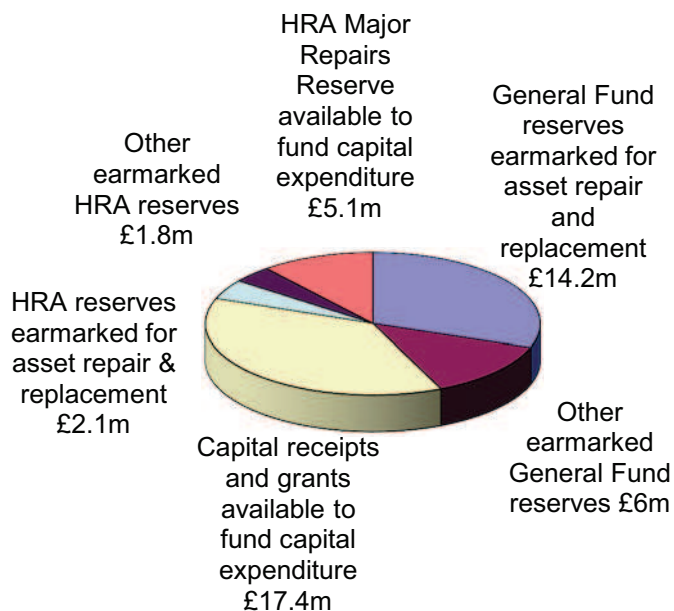
Summary Statement of Accounts

Movements in Usable Reserves

The Council's usable reserves increased by £4.6 million in 2012/13. Total usable reserves were £60.1 million at 31 March 2013, as shown below :

	General Fund Balance £m	Housing Revenue Account (HRA) Balance £m	Other Usable Reserves £m	Total Usable Reserves £m
Balance at 1 April 2012	(9.5)	(7.0)	(39.0)	(55.5)
(Surplus) or deficit on the provision of services	5.5	2.8		8.3
Adjustments between accounting basis and funding basis under regulations	(4.5)	(2.7)	(5.7)	(12.9)
Transfers to or (from) earmarked reserves	0.5	1.4	(1.9)	
Decrease or (Increase) in the year	1.5	1.5	(7.6)	(4.6)
Balance at 31 March 2013	(8.0)	(5.5)	(46.6)	(60.1)

Other usable reserves at 31 March 2013 comprised :



Summary Statement of Accounts

Balance Sheet

At the end of each financial year, we draw up a balance sheet that presents how much the Council's land and buildings are worth, what is owed to others (liabilities), what others owe us (debtors and investments) and how much cash and other reserves we have.

	Net Assets at 31 March 2013 £m
Value of land, property, equipment and vehicles	732.6
Long-term debtors and investments	2.8
Cash and short-term cash investments	66.8
Short term debtors	8.1
Short term land and property held for sale	0.8
Stock	0.3
Current liabilities	(15.2)
Long-term liabilities	(311.0)
Net Assets	485.2
Usable reserves	(60.1)
Unusable reserves	(425.1)
Total Reserves	(485.2)

Unusable reserves are not available to use to provide services. This category of reserves includes, for example, amounts which would only become available if the related assets were sold.

Cash Movements

The council handled significant amounts of cash during the year.

	2012/13 £m
Cash at 1 April 2012	4.8
Cash receipts	266.0
Cash payments	(263.1)
Cash at 31 March 2013	7.7

Summary Statement of Accounts

The detailed Statement of Accounts publication includes many notes of explanation and detailed analysis of figures in the main financial statements. A selection of the notes which may be of particular interest to the public have been summarised and are presented below.

Employee Remuneration

The numbers 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
£85,000 to £89,999	1	1
£90,000 to £94,999	2	2
£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:

Senior Officers Remuneration 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

Summary Statement of Accounts

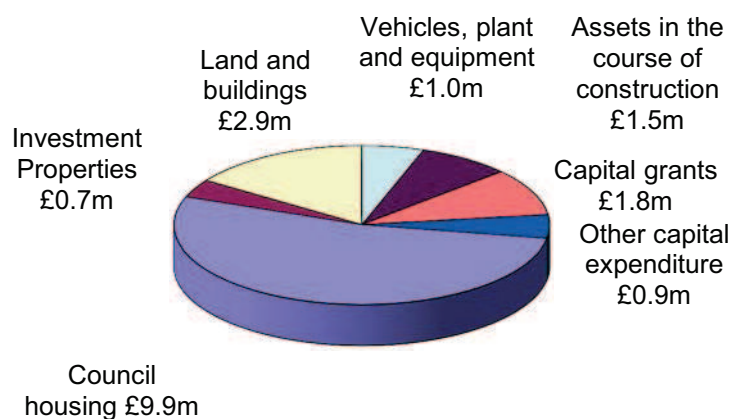
Members Allowances

The total of allowances paid to members during the financial year 2012/13 was £245,487 (£242,910 in 2011/12). 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). Details of payments to individual members are published annually in a local newspaper. Details can also be found on the Councillors pages on our website.

Capital Spending

We also spend money on buying assets and improving our council housing and other assets. We account for this type of expenditure separately from the day-to-day running costs of services.

Capital expenditure totalled £18.7 million in 2012/13.



This capital expenditure was financed as follows:

	£m
Capital receipts (from sale of council houses and other assets)	0.8
Government grants and other contributions	2.6
Revenue and reserves	13.6
Use of cash balances	1.7
Total	18.7

Summary Statement of Accounts

Housing Revenue Account

The Housing Revenue Account (HRA) records income and expenditure relating to the management and maintenance of council housing.

During 2012/13 the Council was responsible for an average of 7,252 dwellings.

	£m
Dwelling rents	(32.8)
Non-dwelling rents	(0.6)
Charges for services and facilities	(2.7)
Other income	(0.5)
Income	(36.6)
Repairs and maintenance	7.7
Supervision and management	6.4
Rents, rates, taxes and other charges	0.2
Depreciation and impairment	18.9
Provision for bad debts	0.1
Share of corporate and democratic core costs	0.2
Expenditure	33.5
Net cost of HRA services	(3.1)
Surplus on sale on assets	(0.8)
Interest payable	7.5
Other income	(0.8)
Deficit for the year	2.8
Adjustments between accounting basis and funding basis under regulations	(2.7)
Contributions to earmarked reserves	1.4
Net HRA deficit for the year	1.5

The HRA deficit for the year of £1.5 million was deducted from the previously accumulated surplus. The HRA is 'ring-fenced' by law which means its income and reserves cannot be used for any purpose other than the provision and management of Council housing. The accumulated surplus on the HRA at 31 March 2013 was £5.5 million.

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CAMBRIDGE CITY COUNCIL

REPORT OF: Director, Customer & Community Services

TO: Civic Affairs Committee 19/09/2013

WARDS: None directly affected

ANNUAL COMPLAINTS REPORT 2012-13

1 INTRODUCTION

- 1.1 The Council has been recording the number of complaints received by each department and how they were dealt with, for a number of years. Regular complaints monitoring is recognised as good practice in customer service, and by looking at data across the Council we can monitor our performance and see where we are doing well and where there is room for improvement.
- 1.2 Civic Affairs Committee is asked for any comments that it wishes before it is published. The report will be considered at Civic Affairs on 19th September 2013.

2. RECOMMENDATIONS

- 2.1 Civic Affairs to:
Consider the draft Annual Complaints Report for 2012-13, shown at Appendix A, and approve for publication on the Council's website.

3. BACKGROUND

- 3.1 The City Council has been recording information about complaints for the last ten years. In 2012-13 we received 498 complaints a 25% increase on the previous year. The increase in complaints was probably the result in the increased use of email that has allowed greater distinction between requests for service and genuine complaints.

- 3.2 The highest number of similar complaints was around missed bins. There were also a number of complaints for the Corn Exchange sound system.
- 3.3 Last year there were regular complaints about the time the Council took to do things like process benefit claims and undertake repairs. There were also complaints across a number of departments that the Council sometimes failed to communicate decisions and instructions clearly. Whilst there are still some complaints of this nature they are less common and departments do seem to have taken positive steps to improve these aspects of performance.
- 3.4 In January 2007 we reduced our target time to answer 100% of complaints to seven days. In 2012-13 we achieved a figure of 85%.
Where we are unable to respond fully within seven days we acknowledge receipt of the complaint and tell the complainant when they can expect a full response.
- 3.5 In 2003 the Council's Standards Committee asked officers to start recording how complaints are received. In 2012-13 more complaints were received via email than by letter, with 70% of complaints received by e-mail and 19% by letter.
The CCC online complaints form has proved a popular method of reporting of complaints. This allows for complaints to be recorded for action immediately through the customer service centre.
- 3.6 The number of compliments is continuing to rise year on year with 602 compliments for 2012-13 up 10% on the 2011-12 total of 541.
- 3.7 A summary of the FOI performance is to be sent around to all those managers and members who are on the weekly FOI distribution list.
- 3.8 During 2012-13 24 complaints were fully investigated by the ICI.
Of these, nine cases were not investigated, and fifteen cases were investigated. Of those fifteen cases that were investigated, ten cases were not up-held, one case was partially up-held, one case was largely up-held, and three cases were up-held.
Of the fifteen cases which were investigated, five cases were raised regarding City Homes, one case was raised regarding

Community Development, five cases were raised regarding Planning Services, one case was raised regarding Refuse and Environment, two cases were raised regarding Streets and Open Spaces, and one case was raised regarding Estates and Facilities. Three cases are current.

- 3.9 In 2012-13, the Local Government Ombudsman received 7 enquiries and complaints. This year The LGO have only presented the total number of complaints received and will not be providing the more detailed information that we have offered in previous years.
The reason for this is that the LOG changed their business processes during the course of 2012/13 and therefore would not be able to provide Cambridge City Council with a consistent set of data for the entire year.
- 3.10 Councillors must adhere to a specific Code of Conduct whenever they are conducting Council business, representing the council or conducting the business of the office to which they were elected.
- 3.11 During 2012-13, the Council received two complaints that councillors had breached the Code of Conduct. The first complaint was that a councillor should not have participated in consideration of a planning application, as the complainants believed that the councillor had a personal interest by virtue of where they lived. The Monitoring Officer commissioned a report by the Independent Complaints Investigator, who concluded that there was no breach of the Code of Conduct.
- 3.12 The second complaint was that a councillor should have declared a personal interest at a meeting of a local forum looking at a planning application. The owner of the site was linked with the councillor's employer. The Monitoring Officer decided that the councillor had not breached the Code of Conduct but that it would have been good practice to declare the interest
- 3.13 As well as complaints we also receive many positive comments about the Council's services and staff. A section on compliments is included in the Annual Complaints Report because knowing where things are working well and are appreciated is as important as knowing where things are not working.

- 3.14 Subject to approval by Civic Affairs on the 19th September, officers will then finalise and publish the report on the Council's website with hard copies being made available on request.

4. CONSULTATIONS

The Annual Complaints report is compiled by Customer & Community Services. Data on complaints and compliments is collected quarterly by a designated complaints coordinator within each department and collated annually by Customer Services.

5. IMPLICATIONS

(a) **Financial Implications**

The time and resources spent on responding to complaints and Freedom of Information requests is a not insignificant cost to the Council. Our aim should be to get things right first time as often as we can and to ensure that as much information as possible is available on our website so that people can access the information they require for themselves.

(b) **Staffing Implications**

None

(c) **Equal Opportunities Implications**

Analysis and action taken as a result of complaints has an important role to play in ensuring that our services are accessible to all those who wish or need to use them and, that as far as possible, we are able to respond flexibly to the differing needs of our citizens and visitors.

(d) **Environmental Implications**

None

(e) **Community Safety**

None

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

Departmental Quarterly monitoring reports – June '12, September '12, December '12, March '13

To inspect these documents contact Chris Bolton on extension 7611. The author and contact officer for queries on the report is Chris Bolton on extension 7611.

Report file: N:\Strategy & Partnerships\Performance\COMPLAINTS,COMPLIMENTS\2012-13 Annual Complaints Report\Covering Report to Civic Affairs FINAL 26 June.doc

Date originated: 09 September 2013

Date of last revision: 09 September 2013

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Annual Complaints Report 2012-2013

Cambridge City Council

CAMBRIDGE CITY COUNCIL'S ANNUAL COMPLAINTS REPORT 2012-2013

Every year we publish an Annual Complaints Report, which gives an overview of all the complaints the Council has received and how we have dealt with them (we do not publish names or other personal details of people who have complained).

Why we produce this report

We want to learn from our mistakes so that we can improve our services

We want to encourage people who have cause to complain to make comments and suggestions to help us make these improvements.

We want to show you how we've responded to complaints and what we've done to try and put things right.

We want to publicise and explain our complaints process.

Our Complaints Procedure

When should I make a complaint?

You should complain to us if:

- You are unhappy about something we have or haven't done.
- You are not satisfied with the way a member of staff has treated you.
- You are not happy with the way a councillor has treated you.
- You want to complain for any other reason.

How do I make a complaint?

We publish a 'How to Complain Leaflet' which is available on our website at <http://www.cambridge.gov.uk/complaints> or you can ask for a paper copy from our reception points.

Details of how to make a complaint and how the Council will put things right for you are also published in our service guarantees.

You can make a complaint by letter or email, telephone or face-to-face, or you can use our on-line complaints form.

We aim to deal with your complaint quickly and efficiently. Our target response time is seven working days. If we need longer to respond, we will tell you why and keep you informed of progress during our investigation. We will also tell you who is dealing with your complaint.

We will apologise when we have made mistakes, try and put things right as soon as possible and make sure we do better next time.

If you are not happy with the response to your complaint you can ask for your complaint to be passed to a service manager.

There are some things we can't change because we are legally required to do them or because they concern services provided by other organisations. In these cases we will always explain why we can't change things and tell you who else you can contact if you are still unhappy.

Each of our departments has a complaints co-ordinator who keeps details of all complaints for their service areas. Managers review the complaints regularly and decide whether they need to change things to prevent any problems from happening again.

If you have any questions about how to complain, please contact our Customer Service Centre, phone 01223 457000, fax 01223 457982, Typetalk 18001 01223 45700 or e-mail enquiries@cambridge.gov.uk

The customer services standards are published on our website at <https://www.cambridge.gov.uk/customer-charter-and-service->

[standards.](#)

The Independent Complaints Investigator

If you have not received a reply to your complaint within seven days or you are not satisfied with the way we have dealt with your complaint, you can ask for it to be referred to the Head of the relevant service. If you are still dissatisfied with the reply you can refer the complaint to the Independent Complaints Investigator who will investigate your complaint for you.

The Independent Complaints Investigator, (ICI), is not an employee of the Council but is paid by the Council on a contract to investigate complaints. This ensures that the role can be independent of the Council's departments.

The Independent Complaints Investigator investigates complaints to see if they are justified and acts on the complainant's behalf to try and find a way of resolving the issues raised. They aim to acknowledge each complaint within seven days and let the complainant know a date by which they can expect a full response. They will also arrange a confidential interview at a convenient time and place if it is required.

The Independent Complaints Investigator's role is not intended to be a substitute for handling complaints effectively within departments. It is intended to complement our complaints procedures and ensure consistency throughout the Council. Cambridge City Council is one of the few councils to operate this service.

The Local Government Ombudsman

If you are still not satisfied with the way your complaint has been handled you can contact the Local Government Ombudsman's office. The Local Government Ombudsman investigates complaints of injustice arising from maladministration by local authorities and certain other bodies. The Local Government Ombudsman can be contacted on 0300 0610614 or by visiting www.lgo.org.uk.

Complaints to the City Council in 2012-2013

How many complaints were received?

We received 498 complaints in 2012-13. This was a 25% increase on those received in the previous year as can be seen in table 1 below.

Table 1. Cambridge City Council complaint totals 2012-13.

Year	Chief Exec's	Environment	Resources	Customer & Community	Totals	% Change
2012-13	2	72	83	341	498	+25
2011-12	0	65	40	272	377	-35
2010-11	8	81	56	431	576	-30
2009-10	21	168	61	577	827	+5
2008-09	8	169	36	576	789	-5

Despite the increase in complaints over the last year the trend is that complaints to Cambridge City Council have been falling and have decreased by 37% since 2008-09.

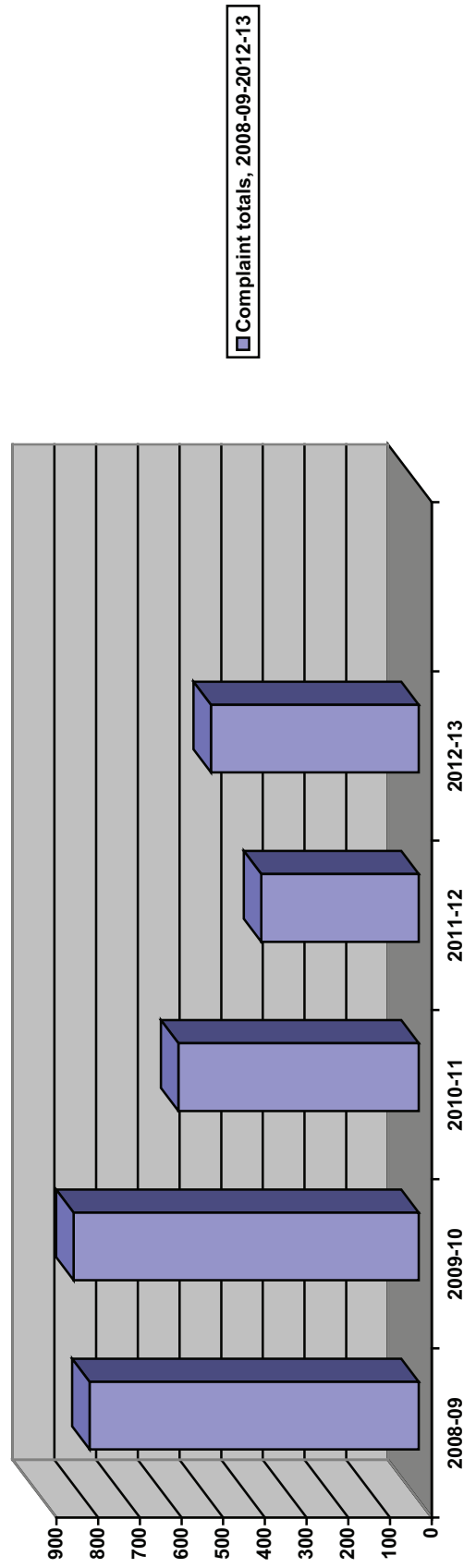
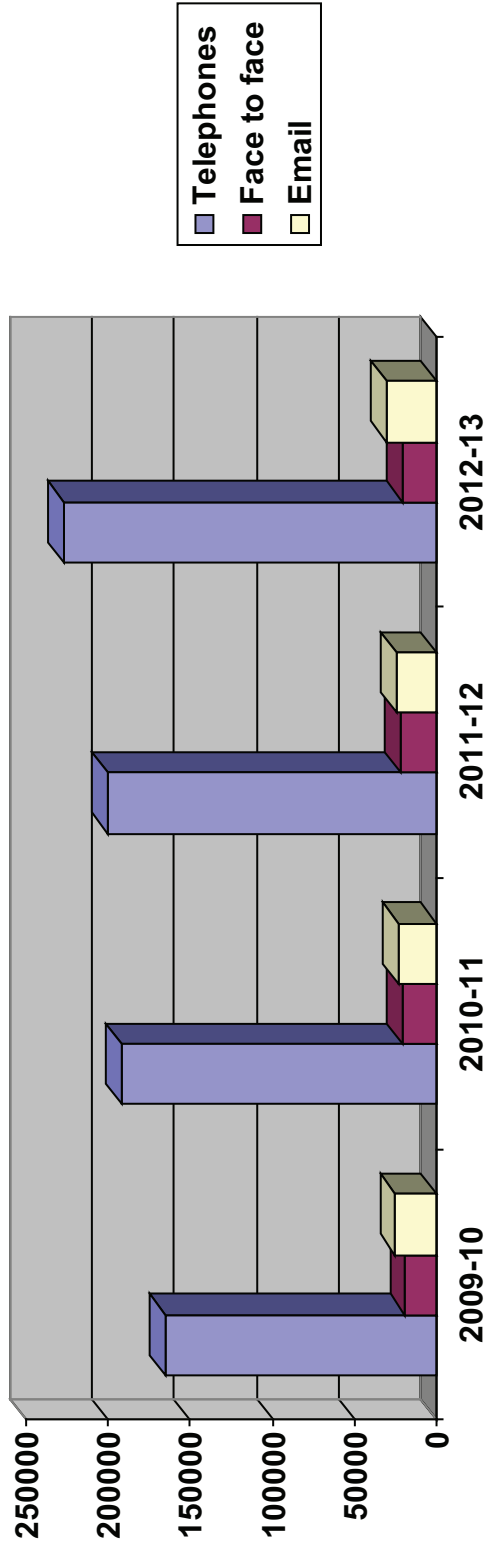


Figure 1. Cambridge City Council complaint totals 2008-2013.

To put the number of complaints in context, last year over 225,000 telephone contacts and 21,000 visitors' centre were recorded at the customer service centre. This is at a time where contact volumes are increasing.

Between 2010-11 and 2012-13 telephone contacts to the customer service centre increased from 165,000 to 225,000, face to face visits from 19,000 to 21,000 and emails from 25,000 to 30,000.

Figure 2. Contact volumes at the Customer Service Centre, 2010-2013



The filtering of complaints through the customer service centre and the increased use of email and online forms, has allowed a greater distinction between requests for service and genuine complaints over the years and this has been reflected in the final totals.

In previous years complaints were recorded in various manners including the use of paper, spreadsheets, Access databases and the ServiceMail system.

From this year all complaints and compliments that require a reply are to be recorded and administered through the corporate Customer Relationship Management, (CRM), system. Full training was arranged for all complaints officers in all departments. The use of CRM has streamlined the process for both the logging and the reporting of complaints and compliments.

From this year we will be including feedback from our Govmetric customer satisfaction tool. Govmetric collects customer feedback at the first point of contact, face to face, telephone and the web.

How were complaints received?

In 2012-13 more complaints were received via email than by letter, with 70% of complaints received by e-mail and 19% by letter which is shown in table 2 below.

Table 2. How complaints were received.

Year	Face to Face %	Letter %	Email %	Telephone %	Other (GovMetric, Comment Cards %)	Total %
2012-13	1	19	70	8	2	100
2011-12	2	26	48	6	18	100
2010-11	1	24	56	4	15	100
2009-10	4	34	47	11	4	100
2008-09	5	37	40	14	4	100
2007-08	2	56	29	10	3	100

How many complaints did we respond to on time?

The figures for 2012-13 show a decrease in performance from last year with the number of complaints responded to on time falling from 92% to 85% as shown in table 3 below.

Table 3. Complaint response times

Year	Chief Exec's %	Environment %	Resources %	Customer & Community %	Totals %	% Change
2012-13	100	72	78	89	85	-7
2011-12	NA	80	73	97	92	+43
2010-11	38	78	43	68	49	-41
2009-10	62	77	90	91	90	-3
2008-09	100	85	92	96	93	+12

Are there any trends and what have we changed as a result of the complaints?

Each council department reviews the complaints and compliments that it receives on at least a quarterly basis.

This enables services to identify if there are any trends in the types of complaints being made or the services that complaints are being made about. As a result changes may be made to services and how they are provided. Examples of how service provision has changed arising from complaints made over the past year are shown below:

Environment

Refuse & Environment

For refuse and environment the main complaint trend was that refuse bins were not being emptied. The remedial actions were to empty the bins or residents were informed of the reason why the bins was not emptied. There were a number of complaints received regarding the change to bin rounds.

Resources

Estates & Facilities

The bulk of complaints related to day-to-day repairs and problems with the contractor. In the cases of bad practice or snags the contractor Apollo and operatives made good the jobs. There were some complaints regarding miscommunication between operative and residents. In these cases appointments were re-scheduled or a case officer appointed. The housing repairs service and part of the housing improvement plan is currently undergoing a Lean efficiency exercise aimed at putting the customer at the heart of the service.

Customer & Community Services

Arts & Recreation

The main complaint trend for the Arts & Recreation service was that of the poor sound quality at the Corn Exchange. The Arts & Recreation section are to resolve this issue via some planned investment in a new sound system.

Folk Festival

There were 36 comments/complaints during the Folk Festival event. The majority of the complaints came from residents who were concerned about the Sky Lounge's effect on wildlife and parking in residential areas around the site.

Customer Services

The majority of complaints for Customer Services were with regards to the increase in face to face waiting times earlier in the year and disagreement with policy decisions. There were also a number of complaints regarding the Homelink re-registration exercise and whether it was actually needed.

Customer service advisors have undertaken communication skills training to handle such occurrences.

Community Development

For community development the major complaint was regarding the policy of grants awarded to the scouts. The Executive Councillor responded and the case was referred to the ICI.

City Homes

Residents were concerned that grants awarded for community projects did not have a resident group providing their recommendations on whether or not applications should be approved or refused. Applications are now sent first to the Housing Regulation Panel (a group of tenant and leaseholder volunteers who scrutinise Housing Services) for their recommendations before being presented to the City Homes Management Team.

Housing Advice Service

Much of the correspondence that is logged as complaints tends to be correspondence in support of a homelessness/housing application. In these cases the complainant is updated on where we are at with the case.

Some of the complaints related to temporary accommodation that is considered to be unsuitable, notably bed and breakfast in Peterborough. In these cases the team explain the position with temporary accommodation generally and check that the Housing Advisor has followed the process for identifying alternative temporary accommodation.

Compliments to the City Council in 2012-2013

The number of compliments is continuing to rise year on year with 602 compliments for 2012-13 up 15% on the 2011-12 total of 541 as seen in table 4 below.

Table 4. Cambridge City Council Compliment totals 2012-13

Year	Chief Exec's	Environment	Resources	Customer & Community	Totals	% Change
2012-13	0	8	23	571	602	+10
2011-12	0	7	3	531	541	+15
2010-11	6	35	12	408	461	+7
2009-10	2	121	Not recorded	308	431	+6
2008-09	0	86	Not recorded	321	407	+19

Role of the Independent Complaints Investigator

Your right to have a complaint reviewed by an independent person is an essential part of our complaints procedure.

If you are not satisfied with the way any of our departments deal with your complaint, you can ask the Independent Complaints Investigator (ICI) to review your concerns. Because the ICI operates independently of our departments, they can give an objective overview of a department's handling of your complaint.

Sometimes a department will refer a complaint to the ICI. This happens when they feel that an impartial review will help them to resolve a problem.

The ICI will not always carry out a formal investigation of a complaint. Sometimes they will find a solution by talking to the complainant and the departments.

The ICI reviews each complaint to find out whether we did anything **wrong**, such as:

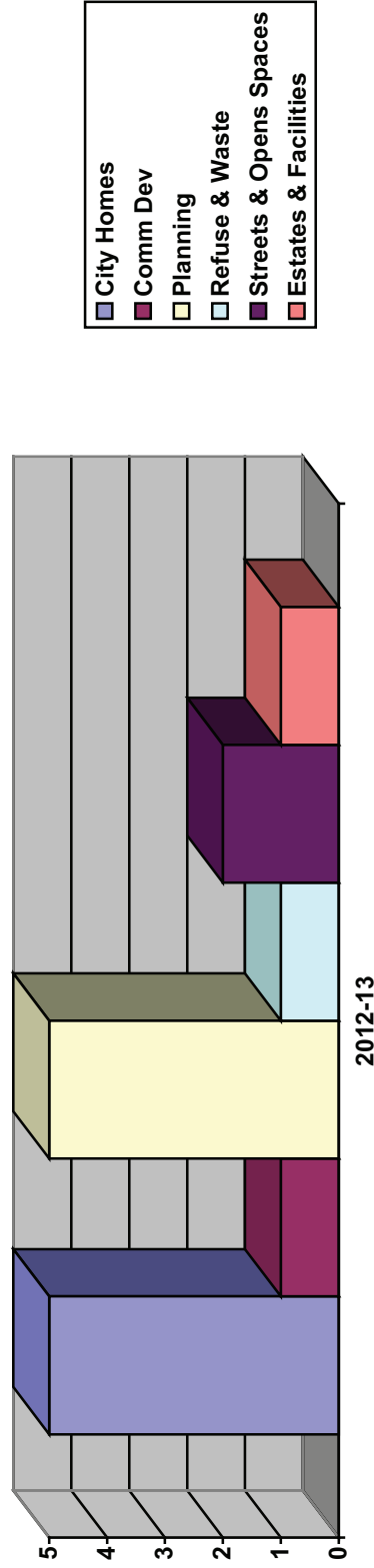
- We took a long time to do something
- We did not follow our own rules or the law
- We broke a promise to do something
- We treated someone unfairly
- We gave someone wrong or misleading information; or
- We did not make a decision in the correct way.

Sometimes, the ICI will look at a complaint about several issues. They might find that they agree with some parts of the complaint but not others. In these circumstances they will report that they have partly agreed with the complaint.

How many complaints did the Independent Complaints Investigator deal with in 2012-13?

- During 2012-13, 24 complaints were received by the ICI.
- Of these 24 complaints received, 15 cases were investigated and 9 cases were not investigated.
- Of those 15 cases that were investigated, 10 cases were not up-held, 1 case was partially up-held, 1 case was largely up-held, and 3 cases were up-held.

Figure 5. Service breakdown of complaints forwarded to the ICI



The Local Government Ombudsman, (LGO).

If you are still not satisfied with the way your complaint has been handled you can contact the Local Government Ombudsman's office. The Local Government Ombudsman investigates complaints and determines if there has been any injustice arising from maladministration. The Local Government Ombudsman issues a letter to all councils by the end of June each year stating how many complaints they have received and the decisions they have made about them.

This year the LGO have only presented the total number of complaints received and will not be providing the more detailed information that we have offered in previous years.

The reason for this is that they have changed their business processes during the course of 2012/13 and therefore are not be able to provide Cambridge City Council with a consistent set of data for the entire year.

In 2012/13 Cambridge City Council received 7 complaints about the local authority. This compares to the following average number (recognising considerable population variations between authorities of a similar type):

District/Borough Councils-	10 complaints
Unitary Authorities-	36 complaints
Metropolitan Councils-	49 complaints
County Councils-	54 complaints
London Boroughs-	79 complaints

The LGO remain committed to sharing information about Cambridge City Council's performance and will be providing more detailed information in next year's annual review letter.

Complaints under the Councillors' Code of Conduct

Councillors must adhere to the Council's Code of Conduct whenever they are conducting Council business, representing the Council or conducting the business of the office to which they were elected. The purpose of the Code of Conduct is to ensure high standards of ethics and conduct are maintained and that Councillors treat everybody in an equal capacity and with respect, ensuring at all times that the integrity of the Council is not compromised in any way.

The Government made significant changes to the standards regime for councillors in 2012 and has abolished the Standards Board. In response, the Council adopted a new Code of Conduct for councillors and introduced a local system for considering complaints.

Complaints about councillors are considered initially by the Council's Monitoring Officer (who is also the Head of Legal Services). When he receives a complaint, he consults one of two "Independent Persons" appointed by the Council. The role of the "Independent Persons" is to introduce external scrutiny of the complaints process. The Monitoring Officer can respond to a complaint, can commission a formal investigation or can refer it for consideration by the Council's Standards Sub-Committee. The Council's Standards Committee is made up of three councillors.

During 2012-13, the Council received 2 complaints that councillors had breached the Code of Conduct. The first complaint was that a councillor should not have participated in consideration of a planning application, as the complainants believed that the councillor had a personal interest by virtue of where they lived. The Monitoring Officer commissioned a report by the Independent Complaints Investigator, who concluded that there was no breach of the Code of Conduct.

The second complaint was that a councillor should have declared a personal interest at a meeting of a local forum looking at a planning application. The owner of the site was linked with the councillor's employer. The Monitoring Officer decided that the councillor had not breached the Code of Conduct but that it would have been good practice to declare the interest.

To find out more about the Council's Code of Conduct and how to make a complaint about a councillor go to <https://www.cambridge.gov.uk/compliments-complaints-and-suggestions> or contact the Council's Monitoring Officer, Simon Pugh (simon.pugh@cambridge.gov.uk).

The Council's Whistle blowing Policy

The Council sets equally high standards of conduct for its own employees. The Council will not tolerate malpractice or wrongdoing in the provision of its services. All officers have a responsibility to report any serious concerns about bad practice or behaviour, in any aspect of the Council's work. This is encouraged through the 'Whistle blowing' policy that aims to provide a sensitive and confidential route for officers to step forward and voice their concerns without fear of reprisal.

An overview of the actions and results from 'Whistle blowing' is presented to the Council's Standards Committee in an Annual Report on our Prevention of Fraud and Corruption policy.

Departments 2012-13

Chief Executive's Department

- CEX Office
- Corporate Strategy

Resources Department

- Accounting Services
- Human Resources
- Internal Audit
- Estates and Facilities
- ICT Client
- Property Services
- Legal Services

Environment Department

- Planning
- Refuse and Environment
- Specialist Services
- Tourism and City Centre Management
- Streets and Open Spaces

Customer and Community Services Department

- Arts and Recreation
- City Homes
- Community Development
- Customer Service
- Strategic Housing
- Revenue and Benefits

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CAMBRIDGE CITY COUNCIL

REPORT OF: Chief Executive

TO: Civic Affairs Committee

19/09/2013

WARDS: All wards

REVIEW OF POLLING DISTRICTS, POLLING PLACES AND POLLING STATIONS

1. INTRODUCTION

- 1.1. The Electoral Registration and Administration Act 2013 introduced a change to the timing of reviews of polling arrangements and it is required that the next review must be started and completed within a sixteen-month period, between 1 October 2013 and 31 January 2015 (inclusive). The process for conducting a review is prescribed and the Electoral Commission gives comprehensive guidance on how a review is carried out.
- 1.2. Each local authority in Great Britain is responsible for reviewing polling districts and polling places in its area. The Civic Affairs Committee has been delegated this function.
- 1.3. Responsibility for deciding how many polling stations are required for each polling place lies with the Acting Returning Officer for Parliamentary elections, who must allocate electors to the polling stations in such a manner as they think most convenient.
- 1.4. Definition of terms:
 - A polling district is a geographical area created by the sub-division of a parliamentary constituency. In practice, the same polling district boundaries are used at all elections.
 - A polling place is the building or area in which polling stations are located.
 - A polling station is the room or area within the polling place where voting takes place. Unlike polling stations and polling

places, which are set by the local authority, the (Acting) Returning Officer for the election selects polling stations.

- 1.5. The last review of polling districts, places and stations in Cambridge was completed on 1 December 2010.

2. **RECOMMENDATIONS**

- 2.1. That the committee consider the arrangements for designating polling districts, places and stations for the purpose of parliamentary and local government elections.
- 2.2. That the starting point for public consultation be the current polling arrangements (see copy of the notice of consultation attached at appendix b).
- 2.3. That the recommendations arising from the public consultation are reported to the committee at its meeting on 29 January 2014, to consider and approve any changes to polling districts and places.
- 2.4. Such amendments are implemented with effect from the date of the next publication of the revised Register of Electors on 17 February 2014.

3. **BACKGROUND**

- 3.1. While there have been a number of issues already raised by members of the Council in 2012/13 regarding polling district boundaries and polling stations (e.g. the area of Jack Warren Green in Abbey ward and location of polling stations in Newnham and Romsey wards), the recommendation is that the current polling arrangements are presented as the starting point for the consultation. This will make the administrative process more straightforward and provide a structured approach to all consultation responses and subsequent recommendations.
- 3.2. The current polling district and polling station arrangements are shown at appendix a.
- 3.3. Requirements of a review:
 - The authority must designate a polling place for each polling district, unless the size or other circumstances of a polling district are such that the situation of the polling stations does not materially affect the convenience of electors. E.g. there is Fisher Hall, a polling station for Newnham ward, located in Market ward.

- The polling place must be within the authority area, unless special circumstances make it desirable to designate an area wholly or partly outside that area.
- The polling place must be small enough to indicate to electors in the different parts of the district how they will be able to reach the polling station.
- Local authorities must seek to ensure that all electors in the area have such reasonable facilities for voting as are practicable in the circumstances.
- Local authorities must seek to ensure that so far as is practicable, every polling place for which it is responsible is accessible to electors who are disabled.

4. PROCEDURES FOR CARRYING OUT A REVIEW

4.1. When carrying out the review, local authorities must:

- Publish a notice of the holding of the review.
- Consult the (Acting) Returning Officer for every parliamentary constituency that is wholly or partly in its area.
- Publish all representations made by the (Acting) Returning Officer.
- Seek representations from such persons as it thinks have particular expertise in relation to access to premises or facilities for persons who have different forms of disability.
- On conclusion of the review, give reasons for its decisions and publish all correspondence, minutes, representations and details of designations of polling districts and places.

4.2. Timetable of proceedings:

Preliminary report to Civic Affairs	19 September 2013
Publish notice of the review	11 October 2013
Consultation responses to be made by	22 November 2013
Roundtable of interested parties (if appropriate)	Date in December TBC
Final recommendations to Civic Affairs	29 January 2014
Changes made to Register of Electors	17 February 2014

- 4.3. Once public notice has been given on 11 October, a six-week consultation period will allow interested parties to make comments and suggestions on the current arrangements (see appendix b).
- 4.4. The notice is required to be displayed at the Guildhall and published on the council website. City councillors, County Councillors and both MP's as well as local political parties, election agents, tenant associations, groups representing disabled persons and any other relevant stakeholders, will be informed of the review and asked for comment. The councils social media feeds will also be utilised to draw attention to the review and consultation period.
- 4.5. Maps and statistics will be available during the period of the consultation on the council website and for those who cannot access the internet, on request from the Electoral Services office.
- 4.6. If there has been significant response to the consultation, a roundtable discussion can be arranged to allow members and those who have responded to the review to discuss suggested changes. This would enable the final proposal to Committee to have a clear direction.
- 4.7. If the review results in one or more alterations to polling districts, a revised Register of Electors must be published. This review has been timed in order to allow changes to take effect at the next scheduled publication of the register on 17 February 2014.

5. HOW TO DECIDE ON POLLING DISTRICTS AND PLACES

- 5.1. The following information is taken from regulations and Electoral Commission guidance.
- 5.2. The following should be considered as part of the assessment of the suitability of polling district boundaries:
 - Are the boundaries well defined? Do they follow the natural boundaries of the area?
 - Are there suitable transport links within the polling district and how do they relate to the areas of the polling district that are most highly populated?
- 5.3. There are a number of factors that need to be considered when reviewing existing or assessing new polling places:
 - Location: Is it reasonably accessible within the polling district?

- Size: Can it accommodate more than one polling station if required?
 - Availability: Would a polling station in the polling place be readily available in the event of an unscheduled election?
 - Accessibility: Would a polling station in the polling place be accessible to all those entitled to attend?
- 5.4. All electors must have reasonable facilities to be able to vote. The place for voting must be accessible for all electors, including those with disabilities. The polling station should be easy to find on polling day and be as close to electors as possible.
- 5.5. Consideration should be given to the appropriate number of electors per polling place. Guidance issued by the Electoral Commission in 2011 indicates that polling stations should not exceed 2,500 voters. Given that, in Cambridge, the average indicates that 12% of electors now vote by post, the aim should be to allocate no more than 2,800 electors to a polling station.
- 5.6. Consideration of polling district size should also take account of future population growth in the City. For example, we may look to create a third polling district within Trumpington ward.
- 5.7. The choice of polling place will often be a balance between the quality (access, facilities, etc.) of a building and the distances between the residents and that building compared to other options for polling places. Availability and co-operation of the building management can, sadly also be a factor in deciding on polling places.
- 5.8. Once a decision on the proposals is made, two key factors must be addressed in the reasoning given for the change to or maintaining the status quo:
- The reasonable requirements of the electors in the constituency, and
 - The accessibility for disabled persons to the probable polling stations within the polling place.

6. CONCLUSION OF THE REVIEW

- 6.1. The council must agree final proposals for the polling districts and polling places, taking account of any representations received. The final proposals will then be placed on public deposit, together with

any copies of all correspondence, minutes and representations relating to the review.

- 6.2. The Register of Electors must then be altered to reflect any changes in polling districts.
- 6.3. Following the conclusion of the review, individuals have a right to make representations to the Electoral Commission. Representations must be made within six weeks of the publication date of the final review.
- 6.4. The Commission will direct the authority to make changes (within two months) to any polling place if they find that the authority did not:
 - Meet the reasonable requirements of the electors in the constituency, or a body of them, or
 - Take sufficient account of the accessibility for disabled persons of a polling station/ polling stations within a designated polling place.

7. **CONSULTATIONS**

- 7.1. As indicated above (paragraph 4.4) public notice of the review will be given and all relevant stakeholders will be informed of the consultation period.

8. **IMPLICATIONS**

(a) **Financial Implications**

Changes to the location of polling stations could result in an increase or decrease in rental charges, due to the differing rates charged by organisations.

An increase in the number of polling places/stations would mean an increase in the number of polling station staff and consequently increase staff payments at an election.

(b) **Staffing Implications**

There are no staffing implications.

(c) **Equal Opportunities Implications**

An Equality Impact Assessment for elections covers this report.

(d) **Environmental Implications**

This report has a NIL climate change impact.

(e) **Procurement**

No procurement is required for this project.

(f) **Consultation and communication**

As indicated above (paragraph 4.4) public notice of the review will be given and all relevant stakeholders will be informed of the consultation period.

(g) **Community Safety**

There are no community safety implications.

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

- Electoral Commission guidance on conducting a review of polling districts, polling places and polling stations. (Published August 2013)
- Equality Impact Assessment for elections.

To inspect these documents contact Vicky Breading on extension 7057.

The author and contact officer for queries on the report is Vicky Breading, Electoral Services Manager on extension 7057.

Report file:

Date originated: 28 August 2013

Date of last revision: 06 September 2013

Cambridge City Council
Polling Districts, Polling Stations & Electorate*

Abbey		
AA ⁺	Barnwell Baptist Church, Howard Road	3,104
AB	East Barnwell Youth Centre, Newmarket Road	1,911
AC	River Lane Community Room, River Centre	1,734

Arbury		
BA [^]	Good Shepherd Church Hall, Mansel Way	3,810
BB [^]	St. Luke's Church Centre, Victoria Road	3,013

Castle		
CA [^]	St. Augustine's Church, Richmond Road	3,899
CB	Castle End Mission, St. Peter's Street	2,637

Cherry Hinton		
DA	St. Andrew's Church Centre, Cherry Hinton	1,902
DB [^]	Cherry Hinton Village Centre, Colville Road	3,111
DC	St. Philip Howard Church Centre, Walpole Road	1,356

Coleridge		
EA	St. Martin's Church Hall, Suez Road	2,512
EB	Lichfield Hall, Lichfield Road	2,575
EC	St. Thomas' Church Hall, Ancaster Way	1,407

East Chesterton		
FA	Scout Centre, Logan's Way	1,894
FB	Chesterton Methodist Church, Green End Road	2,728
FC	Brownsfield Centre, Green End Road	2,050

King's Hedges		
GA ⁺	Arbury Community Centre, Campkin Road	3,313
GB ⁺	North Arbury Chapel, Cameron Road	2,997

Market		
HA	Fisher Hall, Guildhall Place	1,844
HB [^]	Wesley Church Buildings, King Street	4,586

Newnham		
IA ⁺	No fixed location	2,969
IB	St. Mark's Church Community Centre, Barton Road	2,712
IC	Fisher Hall, Guildhall Place	968

Petersfield		
JA [^]	St. Matthew's Church Hall, St. Matthew's Street	2,673
JB [^]	Salvation Army Hall, Tenison Road	3,297

Queen Edith's		
KA ^{^#}	St. John The Evangelist, Hills Road	3,394
KB ^{^#}	St. James' Church, Wulfstan Way	3,227

Romsey		
LA [^]	Ross Street Community Centre, Ross Street	4,097
LB	Romsey Mill, Hemingford Road	2,281

Trumpington		
MA ⁺	Christian Science Church, Panton Street	3,188
MB	Trumpington Village Hall	2,897

West Chesterton		
NA ⁺	Milton Road Library, Ascham Road	3,256
NB ⁺	St. Laurence's Catholic Church, Milton Road	2,993

**Electorate as at 1 September 2013*

^ Indicates polling station is split into two stations at all elections

+ Indicates polling station is split into two stations at Parliamentary elections

Polling district in South Cambridgeshire Parliamentary Constituency



Notice of Review of Polling Districts and Polling Places

In accordance with [Section 17](#) of the Electoral Registration and Administration Act 2013, Cambridge City Council gives notice that a review of all polling districts and polling places in the city of Cambridge is to be conducted.

- The (Acting) Returning Officer will comment on the suitability of polling stations within each polling district. These will be available for viewing at The Guildhall, Cambridge CB2 3QJ and on the council website within thirty days of the date of this notice.
- Electors residing within the authority area are invited to make representations in connection with the review or comment on the (Acting) Returning Officer's proposals.
- The authority welcomes the views of all residents, particularly disabled residents, on the current polling arrangements, the (Acting) Returning Officer's representation or any other related matters.
- The authority also welcomes any person or body with expertise in the access requirements of persons with any type of disability to on the current polling arrangements, the (Acting) Returning Officer's representation or any other related matters.
- Any person or body making a comment should if possible, give alternative places that may be used as polling places.

Information concerning the existing arrangements may be obtained at the council website www.cambridge.gov.uk/elections or from the Electoral Services Office, The Guildhall, Cambridge CB2 3QJ.

The final date for submission of representations is 22 November 2013.

Representations, comments etc. should be submitted in writing to:

Electoral Services

Cambridge City Council

PO Box 700

Cambridge

CB1 0JH

Alternatively, by email to: elections@cambridge.gov.uk

Dated: 11 October 2013

Antoinette Jackson

Chief Executive

CAMBRIDGE CITY COUNCIL

REPORT OF: Head of HR

TO: Civic Affairs Committee

19/9/2013

WARDS: All

CONSIDERATION OF MEASURES TO DISCOURAGE TAX AVOIDANCE

1 INTRODUCTION

- 1.1 At the Civic Affairs Committee meeting on 30 January 2013, when considering the proposed Pay Policy Statement for 2013/14, which contains a section on Tax Avoidance, the Committee asked for a further report back to Civic Affairs to consider measures to discourage tax avoidance arising from the employment of consultants through companies. This report outlines proposals for consideration.

2. RECOMMENDATIONS

- 2.1 Civic Affairs Committee approve that the Director of Resources, Head of Legal Services, Support Services Manager and Head of HR develop contract clauses and guidance for use by Cambridge City Council managers when employing consultants through companies, in line with the suggested models and guidance set out in this report.

3. BACKGROUND

- 3.1 At the Civic Affairs Committee meeting on 30 January 2013, when considering the proposed Pay Policy Statement for 2013/14, which contains a section on Tax Avoidance, the Committee asked for a further report back to Civic Affairs to consider measures to discourage tax avoidance arising from the employment of consultants through companies.

- 3.2 The wording on Tax Avoidance currently set out in the Council's Pay Policy Statement 2013/14, approved by Council in February 2013 states:

Tax Avoidance

The Council takes tax avoidance seriously and will seek to appoint individuals to vacant positions using the recruitment procedures on the basis of contracts of employment and apply direct tax and National Insurance deductions from pay through the operation of PAYE.

Where consultants are recruited the Council will seek to avoid contractual arrangements which could be perceived as being primarily designed to reduce significantly the rate of tax paid by that person, such as paying the individual through a company effectively, controlled by him or her.

- 3.3 Having obtained advice on what measures the Council could consider to discourage tax avoidance, please see Appendices A and B, the following proposals are made:

- a) When using agency workers where there is a Personal Service Company (PSC) and the person does not pay PAYE/NIC via the agency, the Council could use procedures similar to those adopted by Government Departments and the NHS.

An example of these is set out in Appendix B.

- b) When using interim managers, not employed by the Council but engaged under a contract for services, the Council could verify the tax arrangements and include clauses in the contracts to enable termination of the contract if the information obtained is not satisfactory to demonstrate the person is complying with their tax and NIC obligations.

Suggested model contractual provisions are set out in Appendix B.

- c) When using a consultant for specialist advice the Council could develop and use steps and contract clauses similar to those set out in the example contained in Appendix B.

3.4 Appendix A sets out some background information on this issue.

3.5 Appendix B contains a Procurement Policy Note on Tax Arrangements of Public Appointees, produced by HM Treasury, for use by Government Departments. The guidance note particularly refers to arrangements lasting more than six months and costing over £220 per day.

4.0. **CONSULTATIONS**

4.1 The Head of Legal Services, Director of Resources and Support Services Manager have been consulted on this report.

5.0 **CONCLUSIONS**

5.1 It is proposed that the Director of Resources, Head of Legal Services, Support Services Manager and Head of HR develop contract clauses and guidance for use by Cambridge City Council managers when employing consultants through companies, in line with the suggested models and guidance attached as Appendix B.

6.0 **IMPLICATIONS**

(a) **Financial Implications**

The measures set out in this report are considerations to manage risk and thereby reduce potential financial implications for the Council.

(b) **Staffing Implications**

The staffing implications arising from this report are officer time engaged in developing procedures. There is the potential that a consultant may choose not to work with the Council if checks are requested or the Council may choose not to work with a consultant if the information provided is not deemed satisfactory.

(c) **Equal Opportunities Implications**

An equality impact assessment has not been prepared for this item.

(d) **Environmental Implications**

None

(e) **Procurement**

The procurement considerations relate to the engagement of consultants and further steps which could be put in place.

(f) **Consultation and communication**

This report relates to the engaged of consultants.

(g) **Community Safety**

There are no community safety considerations in this report.

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

- The Council's Pay Policy Statement 2013/14
- Minutes of Civic Affairs Committee – 30 January 2013
- Advice note on tax arrangements, the appendices are attached to this report.
- Procurement Policy Note – Tax Arrangements of Public Appointees, Action Note 07/12.

To inspect these documents contact Deborah Simpson, Head of HR on 01223 458101.

The author and contact officer for queries on the report is Deborah Simpson, Head of HR on 01223 458101.

Report file:

Date originated: 09 September 2013

Date of last revision: 09 September 2013

Background Information

IR35

The intermediaries' legislation, known as "IR35", was introduced by the Government in 2000 in an attempt to discourage and deter the use of intermediaries or Personal Service Companies ("PSC").

These are the companies set up for the primary purpose of reducing tax, and National Insurance Contributions, for an individual who would otherwise be employed by the organisation, where the individual supplies their services through an intermediary (usually a PSC) and is paid in dividends.

The IR35 legislation shifted the responsibility of ensuring compliance from the employer back to the PSC. Since then there have been announcements about proposed changes to IR35 and measures targeted in the public sector, particularly for Government Departments, to seek assurance that highly paid individuals who are not on the payroll, are meeting their tax obligations, sufficient to prevent the loss of tax/NICs through disguised employment.

Reasons for using a limited company

- The principal benefit of trading as a limited company has always been the limited liability bestowed upon the company's officers and shareholders.
- As a sole trader or other non-limited business, personal assets are at risk in the event of failure of the business, but this is not the case for a limited company.
- As long as the business is operated legally and within the terms of the Companies Act, directors' or shareholders' personal assets are not at risk in the event of a winding up or receivership. Sometimes, such events are not always under the control of the director.
- Operating as a limited company often gives suppliers and customers a sense of confidence in a business in terms of being able to deliver the goods or services efficiently and professionally.
- Larger organisations including public sector entities may prefer not to deal with non-limited businesses where there is a potential risk to it or the good or services it has requested.

HMRC action and Reputational Damage

If it appears to HMRC that an individual has been engaged who should have been on the payroll, HMRC will seek any tax and NICs (plus interest and penalties) from the Council. In addition to the financial cost, there could also be the adverse publicity and reputational damage.

Agency Workers

Where an individual is engaged via an agency and no PSC/limited company is involved then the Agency is required to operate PAYE/NICs on any payments made to the individual.

Where the engagement by the Agency involves a PSC/limited company then the PAYE/ NICs liability will fall on the PSC/limited company.

Contract for Services

If an interim manager is not a temporary employee of the Council, with an employment contract, but is an employee/partner of a consulting firm and the contract is between the Council and the Consulting firm, the Council does not have a requirement to deduct PAYE/NICs through the payroll.

Consultants providing Specialist Advice

Contracts for such advice will normally be between the Council and a partnership or limited company.

In any contract that is in place, other than one with an individual, the Council currently has no obligation to deduct tax/ NICs from payments made. The recipient is responsible for accounting for any tax/NICs.

Where the contract is with an individual, the Council is required to consider the individual's tax status and contract clauses could be used to seek assurances that the worker is complying with his/her tax obligations.

Where the contract is with an Agency directly, clauses could be included in the Agency contract, and the Council could request that similar clauses be included in any contract between the Agency and the PSCs.

Procurement Policy Note – Tax Arrangements of Public Appointees

Action Note 07/12 24 August 2012

Issue

1. On 12 July 2012, the Chief Secretary to the Treasury wrote to the Prime Minister, copying Cabinet colleagues, to set out implementation plans following the review of the tax arrangements of public appointees, published on 23 May 2012 (http://www.hm-treasury.gov.uk/d/tax_pay_appointees_review_230512.pdf). HM Treasury notified Finance DGs of these new arrangements on 26 July 2012.
2. The recommendations from the review are due to be implemented by Departments within three months of the publication of the review – with the appropriate clauses inserted into new contracts from 23 August 2012, and all contract renewals carried out after that date. Similar clauses will be inserted into the relevant existing Government Procurement Service Framework Agreements (i.e. CIPHER) and in the new central Framework Agreements for Contingent Labour being tendered later this year.
3. In addition, Departments should seek to apply the recommendations of the review to existing relevant contracts, subject to ensuring value for money. Departments should work with their legal teams to do this.
4. This Procurement Policy Note (PPN) provides departments, their agencies and NDPBs with a guide to help them seek assurance about the tax arrangements of their contractors. It also provides illustrative contractual clauses allowing that assurance to be sought, which departments should adapt as appropriate before including in contracts they let.

Dissemination

5. Please circulate this PPN within your organisation, its Executive Agencies and Non Departmental Public Bodies and to all Contracting Authorities for which you are responsible, drawing it to the attention of those with a purchasing role.

Contact

6. Enquiries about this PPN should be addressed to the ERG Service Desk on 0845 000 4999 or via servicedesk@cabinet-office.gsi.gov.uk. Queries regarding CIPHER and Government Procurement Service Frameworks can be directed to the Government Procurement Service Desk on 0345 410 2222.

Scope of this PPN

7. The contents of this PPN apply to all Central Government Departments including their Executive Agencies and Non Departmental Public Bodies. Similar guidance will be provided to NHS organisations, and Academy Schools guidance will be updated to reflect the recommendations of the review.

Background

8. On 31 January 2012, the Chief Secretary to the Treasury announced a review of the tax arrangements of public sector appointees. The aim of the review was to ascertain the extent of arrangements which could allow public sector appointees to minimise their tax payments, and make appropriate recommendations.
9. The review was published on 23 May 2012. The key conclusions were:
 - the most senior staff must be on the payroll, unless there are exceptional temporary circumstances, which will require Accounting Officer sign-off and cannot last longer than six months;
 - departments must be able to seek formal assurance from contractors with off payroll arrangements lasting more than six months and costing over £220 per day that income tax and national insurance obligations are being met. Departments should terminate the contract if that assurance is not provided. Departments also have the option of extending this requirement to other contractors as they believe appropriate.
 - implementation will be monitored carefully with financial sanctions for departments that do not comply.

Next Steps

10. Departments should now use the guide and illustrative clauses attached at Annex A and B to implement the recommendations of the review, ensuring they work closely with their colleagues in Finance and HR, and with their legal teams.
11. To ensure the recommendations of the review have been successfully implemented, the Treasury and Cabinet Office will carry out a monitoring process in April 2013. This process will request information including:-
 - a. the number of off-payroll engagements for those earning more than £220 per day for longer than 6 months since 23rd August 2012;
 - b. the number of these for whom assurance as to their tax obligations has been sought;
 - c. the number who have successfully provided assurance; and
 - d. action taken against those who have not
12. In addition, Departments will be asked to report to Parliament on the outcome of applying these principles to existing contracts as part of the 2012-13 annual report and accounts process. DGs for Finance will be provided with further details on this directly from HM Treasury in due course.

Annex A – Assurance Guide

This guide is to help departments seek assurance regarding the income tax and NICS obligations of their appointees, as recommended by the CST Review of Tax Arrangements of Senior Public Sector Appointees.

The department must have the contractual right to seek assurance that the worker is meeting their income tax and National Insurance obligations if an individual (the “worker”) is engaged by the Department for 6 months or longer and being paid £220 per day or more - but not being paid through the departmental payroll (with PAYE and NICs deducted at source).

In line with the recommendations of the CST review, departments should decide when to seek the assurance. For example, they may wish to seek the assurance for some contracts only. They may seek the assurance at the start of the contract, if they know it will last for 6 months or longer; alternatively they may seek the assurance at the 6-month or some other point.

Workers should be responsible for the information provided, even if it comes from their accountant or professional adviser, and given a reasonable time (e.g. 20 working days) to provide information requested.

Worker engaged directly

Where the worker is engaged directly (not through a limited company or other body) it is the responsibility of the engaging Department to ensure that they correctly classify the status of the worker as employed or self-employed. They must do this prior to the engagement starting; this is a requirement for every UK employer. The status and tax treatment is determined by the terms and conditions under which a worker is engaged. Departments may seek assurance about the tax obligations of workers engaged directly by following step one below.

Working through a limited company or other body operating PAYE on their whole salary

Where a worker is not on the department payroll but is working through a limited company or other body and on the payroll of that body there is no requirement for the department to operate PAYE and NICs. The Department may seek assurance by following step two below.

Worker working through their own limited company

Where someone is working through their own limited company (a “personal service company” PSC) there is no requirement for the department to operate PAYE and NICs. Instead, the worker must consider the intermediaries’ legislation known as IR35.

The IR35 legislation prevents people who would be classed as an employee if the company was not in place from paying less tax by operating through a PSC than by being engaged directly by the engager (the department). It says that if the relationship between the worker and the engager (the Department) would be employment if it weren’t for the interposition of the company, then the worker must treat the money from that contract as earnings and pay PAYE tax and NICS on the money.

Departments may seek assurance in these circumstances by following step three below.

Step One – employment status

The Department should use HMRC’s online Employment Status Indicator (ESI) tool (<https://esi2calculator.hmrc.gov.uk/esi/app/index.html>) to determine if the worker is classed as self-employed or an employee for tax purposes. Then:

- **if the worker is classed as self-employed** – the Department should confirm that the worker is registered to pay tax. For example if the worker has been working on a self employed basis for a number of years they might provide their previous year’s business accounts and filed tax return, or if they are newly self employed

they will be able to provide form SA250 as evidence that they have registered as self employed with HMRC. Once the evidence has been provided, the department need take no further action. This evidence can be provided at the 6-month point.

- if the worker is classed as an employee – they should be put onto the departmental payroll. (As explained above, if they are working through a limited company, seek assurance as set out at step two or step three below.)

Step Two – engaged by (or seconded from) a company or other organisation

If the worker is engaged through a limited company (or other organisation e.g. a partnership or a university) and is on the payroll of that company and having PAYE and NICs deducted at source by the limited company then the worker can provide evidence that all of the money they are paid by the Department is put through that body and they are receiving/withdrawing it with PAYE/NICs deducted at source.

This can be evidenced by the production of their payslips which will show the salary, and PAYE and NICs deductions. (The company may deduct a small percentage for administrative costs.) The person may be the director of the company, working for a personal service company or one of many employees. This test also applies to those on secondment whose parent organisation is reimbursed for their salary. It will be possible for the worker to provide payslips at the 6 month point for the previous 6 months.

Step Three – engaged through a personal service company

Where the worker is engaged through their own limited company (a personal service company) and not withdrawing all their income from the department under PAYE (as set out in step two) they will need to provide evidence of one of the following:

- a) The worker should be able to show that their service company is low risk for IR35 according to HMRC's "business entity" tests described in HMRC guidance published May 2012 <http://www.hmrc.gov.uk/ir35/guidance.pdf>. This means that they are a low risk of HMRC checking whether they need to operate the IR35 legislation described in step three. The worker will be able to provide this at the 6 month point. Provided the terms of the engagement remain the same, the service company will remain low risk for the duration of the contract.
- b) If the worker is medium or high risk according to HMRC's "business entity" tests but feels that they are outside the scope of IR35, then they will need to provide assurance in a different way – for example, following a contract review by HMRC's independent IR35 helpline. The worker will be able to provide evidence of a contract review to say that they are outside the scope of the IR35 legislation at the 6 month point. If the terms of the contract remain the same, the assessment of the service company will not change for the duration of the contract.
- c) If the contract is within the scope of IR35, the worker can provide evidence that they are operating the IR35 legislation on the payments received from the Department. This can be evidenced by the worker providing a "deemed calculation". This is a calculation that requires the worker to consider all the income for the year from a particular contract that is within IR35, make a 'deemed payment' to HMRC for employer NICs and pay employee NICs and PAYE on the remainder of the income. The deemed payment calculation can be accessed online at <http://www.hmrc.gov.uk/ir35/ir35.xlt>. The legislation only requires the individual to make this payment at the end of the tax year, so it will not be possible to provide assurance until this point – the individual will need to indicate that they are intending to do this when assurance is sought and commit to meeting this requirement at an agreed later date.

If the department is not satisfied with the evidence they receive they may send details to their CRM or customer coordinator in HMRC to be considered alongside other intelligence to

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support HMRC's work to tackle non-compliance. Taxpayer confidentiality means that HMRC will not be able to share the results of any follow-up action with the department.

Annex B – Illustrative Contract Clauses

Please Note

These Clauses have been drafted on an illustrative basis and are not intended to be implemented in to any Contract without a thorough review involving a) the individual Department's governance and (where applicable) information sharing practices and b) a review of the contracting parties in the particular circumstances (including tripartite arrangements) and termination provisions.

Generic Clauses for Individual Worker [Department contracts with Worker, or obligation in Header Contract to be flowed down to worker*]

1. Where [Worker*] is liable to be taxed in the UK in respect of consideration received under this contract, it shall at all times comply with the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) and all other statutes and regulations relating to income tax in respect of that consideration.

2. Where [Worker] is liable to National Insurance Contributions (NICs) in respect of consideration received under this contract, it shall at all times comply with the Social Security Contributions and Benefits Act 1992 (SSCBA) and all other statutes and regulations relating to NICs in respect of that consideration.

3. [Name of Contracting Authority/Agency] may, at any time during the term of this contract, request [Worker] to provide information which demonstrates how [Worker] complies with Clauses 1 and 2 above or why those Clauses do not apply to it.

4. A request under Clause 3 above may specify the information which [Worker] must provide and the period within which that information must be provided.

5. [Name of Contracting Authority/Agency] may terminate this contract if-

(a) in the case of a request mentioned in Clause 3 above-

(i) [Worker] fails to provide information in response to the request within a reasonable time, or

(ii) [Worker] provides information which is inadequate to demonstrate either how [Worker] complies with Clauses 1 and 2 above or why those Clauses do not apply to it;

(b) in the case of a request mentioned in Clause 4 above, [Worker] fails to provide the specified information within the specified period, or

(c) it receives information which demonstrates that, at any time when Clauses 1 and 2 apply to [Worker], [Worker] is not complying with those Clauses.

6. [Name of Contracting Authority/Agency] may supply any information which it receives under Clause 3 to the Commissioners of Her Majesty's Revenue and Customs for the purpose of the collection and management of revenue for which they are responsible.

** - Where there is no 'direct' contract between the Worker and the Contracting Authority, the Contracting Authority will need to ensure that these provisions are contained in the 'Header' Contract/Framework agreement and that the 'supplier' is legally obliged to flow these terms down to the Worker with whom it contracts. One way to do this would be to include the provision as an annexe to the 'Header' Contract/Framework Agreement and confirm that it must be included in any terms between the 'supplier' and the worker. There will also need to be information provisions in the Header contract to ensure that the information supplied by the worker can be provided directly to government departments to carry out any necessary assurance, and make the decision to terminate if necessary (through the correct contractual route).*

CAMBRIDGE CITY COUNCIL

REPORT OF: Head of HR

TO: Civic Affairs Committee

19/9/2013

WARDS: All

IMPLEMENTATION OF NATIONAL PAY AWARD - REPORTING TO CIVIC AFFAIRS

1 INTRODUCTION

- 1.1 This report updates the Civic Affairs Committee on the implementation of the national pay award for staff on National Joint Council for Local Government Services (NJC) terms and conditions of appointment, with effect from 1 April 2013, following the agreement reached under national collective bargaining in July 2013.
- 1.2 The report also asks Civic Affairs Committee to consider the need for further reporting on national pay awards and other allowances payable to officers at future meetings of the Committee.

2. RECOMMENDATIONS

- 2.1 Civic Affairs Committee is asked to note the implementation of the national pay award in accordance with national pay agreements for staff on City Pay Bands 1-9, with effect from 1 April 2013.
- 2.2 Civic Affairs Committee agree to recommend to Council a change in the scheme of delegation to remove the requirement for any action taken in pursuance of this delegation to the Director of Resources to be reported to the Civic Affairs Committee at its next meeting, and that instead Members be advised by the Director of Resources when such action has been taken, and a record of that advice be made available to the public.

3. BACKGROUND

- 3.1 Pay awards for staff on City Pay Bands 1-9 are determined in accordance with nationally negotiated collective agreements. The City Council receives notification when an award has been agreed at national level and then implements this in accordance with staff contractual commitments.
- 3.2 There have been no nationally agreed pay awards since 2009. This is the first year of a national pay award since then. The award was for 1% across the pay points on the national pay scales.
- 3.3 Following the review of pay terms and conditions in 2012 the Council now uses the HMRC mileage allowances and no longer applies NJC car allowances.
- 3.4 The Council moved to locally determined allowances following the 2003 Single Status Agreement. Where applicable, any allowances were reviewed in 2011/2012 as part of the Pay, Terms and Conditions Review, which was considered by Civic Affairs and Council in January 2012.
- 3.5 The Council's Constitution contains a delegation to the Director of Resources relating to Civic Affairs Committee as follows:
- Service Area Delegations: Council or Regulatory Functions
- Power delegated by Civic Affairs Committee
- To implement any award of a joint negotiating body so far as it concerns rates of salary, wages, car allowances or other allowances payable to officers and other employees of the Council except where the terms thereof involve the exercise of a discretion by the Council provided that any action taken in pursuance of this paragraph shall be reported to the Civic Affairs Committee at its next meeting.
- 3.6 This delegation contains a requirement to report to the Civic Affairs Committee at its next meeting when the Director of Resources has agreed to implement an award from a joint negotiating body, in this case the NJC, in so far as it concerns rates of salary, in this case, the nationally agreed pay award.
- 3.7 The Civic Affairs Committee is asked to consider the need for further reporting on national pay awards to this Committee.

- 3.8 The City Council were notified of the nationally agreed pay award of the National Joint Council (NJC) for Local Government Services which covers over 1.4 million local government workers, by letter from the Local Government Association dated 15 July 2013. The implementation date for the agreement was 1 April 2013. This is the first meeting of Civic Affairs following notification of the award.
- 3.9 The pay award and any backdating was paid with August salaries.

4. CONSULTATIONS

- 4.1 The Head of Legal Services and Director of Resources have been consulted on this report.

5.0 CONCLUSIONS

- 5.1 This report updates the Civic Affairs Committee in accordance with the delegation to the Director of Resources concerning national pay awards and asks Civic Affairs Committee to consider the need for further reports and whether to amend the delegation to the Director of Resources.

6.0 IMPLICATIONS

(a) Financial Implications

The potential cost of the implementation of a national pay award was considered and agreed as part of the Council's budget setting process for 2013/14. The implementation costs are in line with the budget.

(b) Staffing Implications

The national pay award applies to all staff on City Pay Bands 1-9. It does not apply to staff on JNC grades (heads of service, directors, chief executive)

(c) Equal Opportunities Implications

An equality impact assessment has not been prepared for this item.

(d) **Environmental Implications**

None

(e) **Procurement**

There are no procurement considerations in this report.

(f) **Consultation and communication**

This report relates to a staffing matter.

(g) **Community Safety**

There are no community safety considerations in this report.

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

- Letter dated 15 July 2013 from the Local Government Association (LGA) advising of the nationally agreed pay award for 2013 for staff covered by the National Joint Council (NJC) for Local Government Services.
- The Council's Constitution – Delegations to the Director of Resources

To inspect these documents contact Deborah Simpson, Head of HR on 01223 458101.

The author and contact officer for queries on the report is Deborah Simpson. Head of HR on 01223 458101.

Report file:

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