



ANNUAL REPORT AND STATEMENT OF ACCOUNTS

**FOR THE YEAR ENDING
31 MARCH 2012**

Draft for External Audit

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

Cambridge City Council
Annual Report & Statement of Accounts
2011/12

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Annual Report 2011/2012

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.
- ◆ 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 7,300 council-owned properties.
- ◆ Processing housing benefit and council tax benefit 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.
- ◆ Dealing with 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 119,800 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. The City Council will be consulting during 2012/13 on a range of issues and options that need to be considered as part of the development of the new Cambridge Local Plan, and which are important for the future planning and development of the city.

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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. For 2011/12 Portfolio Plans were prepared for the following portfolios:

- Arts and Recreation
- Community Development and Health
- Customer Services and Resources
- Environmental and Waste Services
- Housing
- Climate Change and Growth, 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 2011/12 portfolio plans, and what our plans are for 2012/13.

Arts and Recreation Portfolio Plan

During 2011/12 we:

- ◆ Installed a new piece of public art at Logan's Meadow Nature Reserve, which will be followed by further projects such as the Snowy Farr Memorial Artwork and a piece at Mill Road Cemetery in 2012/13.
- ◆ Continued to invest in and make improvements to our open spaces, for example refurbishing the skate park and installing barbeque stones in Jesus Green.
- ◆ Reviewed our leisure grants policy and priorities to focus on improving access to leisure activities, enhancing the City's cultural offer and supporting local neighbourhood and sports activities.
- ◆ Delivered a major refurbishment of the changing facilities and provision for disabled people at Parkside Pools.
- ◆ Engaged and involved local communities in shaping arts and recreation activities. For example consultations were held on the improvements to the Parkside Pool changing facilities, the leisure grants review and the Arts Strategy Action Plan.
- ◆ Implemented a staffing restructure of the Cambridge Corn Exchange and the Arts and Recreation Service to achieve a reduction in the subsidy of these services of £350,000.

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Our plans for 2012/13 in the Arts, Sports & Public Places portfolio include:

- ◆ Improving access to arts, sports and public places for all city residents, through the new contract for the management of the Council's leisure facilities, the leisure grants programme and by engaging with groups of people that do not currently use these services.
- ◆ Celebrating the London 2012 Olympic and Paralympic Games, including by hosting the Olympic Torch Relay and Evening Celebration on the 7th of July.
- ◆ Improving the quantity and quality of provision of recycling, litter and dog waste bins on our open spaces.
- ◆ Making improvements to our open spaces, sports, recreation and public art provision through a range of projects funded by developers.
- ◆ Continuing to work with all parties to explore proposals for a community stadium for Cambridge.
- ◆ Identifying ways in which the Council can promote public access to public open space not directly maintained by the City Council.
- ◆ Protecting the environment and tackling the causes and consequences of climate change by establishing a plan and priorities to enhance local environmental quality, biodiversity and sustainability.

Climate Change and Growth Portfolio Plan

During 2011/12 we:

- ◆ Prepared an evidence base for the new Cambridge Local Plan. The final document will set out the planning framework to guide the future development of Cambridge. The plan will aim to protect the character of the city and make provision for housing and jobs, along with all the necessary infrastructure.
- ◆ Granted permission to build the first 1,200 homes on the new developments on the Southern fringe of the city. Work has commenced on site and the new homes will start to be occupied in late 2012.
- ◆ Worked with developers to ensure that all the new developments on the fringe sites allow local communities to achieve high standards of sustainability and minimise their carbon emissions, with all new homes being built at level 4 and above of the Code for Sustainable Homes.
- ◆ Worked with the County Council to ensure that the impact of new developments is mitigated, through the review of area transport plans and the development of new projects and funding bids.
- ◆ Received and determined 10% more planning applications than in the previous year.

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Our plans for 2012/13 in the Planning & Sustainable Transport portfolio include:

- ◆ Consulting on a range of issues and options which need to be considered as part of the development of the new Cambridge Local Plan and that are important for the future planning and development of the city.
- ◆ Working 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.
- ◆ Updating our Planning Enforcement Policy and making enforcement action a higher priority for the Planning Service.
- ◆ Delivering new transport measures to improve facilities for pedestrians, cyclists and public transport users, including in the new developments around the city.
- ◆ Reducing traffic speeds and increasing road safety for all users by establishing new 20mph zones in Cambridge.

Community Development and Health Portfolio Plan

During 2011/12 we:

- ◆ Asked residents living in the North Area of the city what their priorities were for the local area, so that we could use our resources to make improvements that matter to them. Nearly 700 people told us their views, including many young people, and the City Council has made a number of improvements, particularly to the local environment, as a result.
- ◆ Promoted and managed 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 sustaining vibrant localities and neighbourhoods.
- ◆ Reviewed the Children and Young People's Participation Service (ChYpPS) so that in the future it 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.
- ◆ Supported 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.
- ◆ Engaged more actively with black and minority ethnic and other communities who feel vulnerable, to provide them with opportunities to express their concerns and have them addressed.
- ◆ Worked to integrate existing and new communities in the Southern Fringe and North West of Cambridge by establishing forums to communicate with residents and ensuring that all are involved in community activities.

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Our plans for 2012/13 include:

- ◆ Providing 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.
- ◆ Reviewing how the City Council's community facilities are managed, taking account of the proposed facilities in the growth sites and the opportunities presented in the Localism Bill.
- ◆ Working with the YMCA and young people to explore different options for providing a new facility for young people in the centre of Cambridge.
- ◆ Continuing to support the integration of new communities with existing residents through the provision of community activities.
- ◆ Working 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 community facility at Clay Farm.
- ◆ Establishing an effective Local Health Partnership to improve public health in Cambridge.
- ◆ Developing a model of Restorative Justice, which focuses on the needs of victims and encourages 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.
- ◆ Working with our partners to reduce the presence of street drinkers and the associated anti-social behaviour.

Customer Services and Resources Portfolio Plan

During 2011/12 we:

- ◆ Implemented changes to the Council's own systems to implement the national welfare reforms and liaised with partners such as the Department of Work and Pensions and advocacy and support agencies. This has included providing briefing sessions for local welfare support groups, elected Members and colleagues.
- ◆ Provided debt advice and information, minimising the number of people who, as a result of welfare reforms, are at risk of becoming homeless or whose financial circumstances could be exploited by others. This work includes administering Discretionary Housing Payments to support those in most financial need or those in danger of defaulting on their rent payments.
- ◆ Achieved savings and efficiencies to ensure that the City Council is equipped to deliver the Council's vision for the city within the resources available.
- ◆ Worked with our partners to provide more joined-up customer services, for example a Memorandum of Understanding was signed with the Cambridge Citizens Advice Bureau (CCAB) to ensure greater clarity and closer working between the two organisations. The

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Customer Service Centre has installed a CCAB self help advice kiosk in the reception at Mandela House.

- ◆ Improved our services to make sure that they are focused on meeting the needs of our customers, for example we designed a new process that will significantly reduce customer waiting times and provide a more efficient housing repairs service.
- ◆ Started to explore the opportunities for establishing one or more Business Improvement Districts in Cambridge to support the appropriate involvement and financial input from the city's business community to the future development of the city.

Our plans for 2012/13 include:

- ◆ Working 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.
- ◆ Making the optimum use of the Council's accommodation and providing support to enable our staff to work smarter and more flexibly.
- ◆ Obtaining greater value for money from the Council's spending on procurement.
- ◆ Ensuring that the welfare reforms are efficiently and effectively planned for and implemented, and support is given to the most vulnerable in the city, with action being taken to mitigate hardship where possible.
- ◆ Preparing for the retention of local business rates as part of the Local Government Resource Review.
- ◆ Continuing to explore how we as an organisation, and with our partners, can provide more joined-up customer services.
- ◆ Developing and consulting upon a business plan to support the development of a bid or bids for a Business Improvement District within Cambridge, in order to enable the appropriate involvement and financial input from the city's business community to the future development of the city.

Environment and Waste Portfolio Plan

During 2011/12 we:

- ◆ Carried out a major review of the routes taken by our vehicles to collect waste and materials for recycling in order to significantly reduce the cost of the Waste Service.
- ◆ Provided new facilities for 'recycling on the go', and improved the range of materials that can be recycled at the 23 recycling banks around the city, for example to include plastic pots, tubs and trays.
- ◆ Increased our income from trade waste collection by making our offer more competitive and more attractive, and worked with businesses to improve their waste management and increase recycling.

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- ◆ Maintained high standards of street cleansing and responded to residents' priorities about their local environment, by carrying out targeted litter picks and clean-up campaigns, assisted by the Probation Service.
- ◆ Made it easier for residents to make representations about licensing matters by enabling them to do it online.

Our plans for 2012/13 include:

- ◆ Taking steps to increase recycling in Cambridge beyond 45%, 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.
- ◆ Exploring how we can better work with partners to improve the efficiency of our waste services.
- ◆ Addressing the impact that excessive noise has on residents, by mapping noise complaints across Cambridge, educating communities and enforcing change when necessary.
- ◆ Improving the health of Cambridge residents by working with our partners to implement the new public health arrangements, and by working to reduce the health impact of alcohol and the night-time economy.
- ◆ Planning for the introduction of the new licensing legislation, in particular the late night levy, which together with the Business Improvement District will result in cleaner, safer streets in the city centre.
- ◆ Making it easier for people to report litter, graffiti and fly tipping online and by text.
- ◆ Working with the County Council to improve air quality and reduce emissions, by seeking emission improvements from public transport vehicles and by promoting alternatives to the private car.

Housing Portfolio Plan

During 2011/12 we:

- ◆ Implemented the national changes to the way that councils finance their own housing. This included borrowing £214 million to enable us to build new council houses and maintain existing ones, including making them more energy efficient.
- ◆ Worked with private sector landlords to improve the condition of private rented housing and the management of houses of multiple-occupation.
- ◆ Successfully negotiated with the Homes and Communities Agency that properties let under the new Affordable Rent tenure should be let at or around 65% of local market rents (as opposed to the proposed 'up to 80%').

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- ◆ Engaged with Cambridge University colleges to help them attain Landlord Accreditation, which is a scheme for private landlords that demonstrate good standards in the condition and management of their properties and their relationship with their tenants.
- ◆ Established a shared Home Improvement Agency with South Cambridgeshire District Council and Huntingdonshire District Council to support older and vulnerable people to be warm, safe and as independent as possible in their homes.
- ◆ Worked with partners to prevent homelessness, for example we secured funding for a project with NHS Cambridgeshire to target vulnerable adults with multiple support needs that are at risk of becoming rough sleepers.
- ◆ Launched the HeatSeekers scheme to assist residents to identify and install energy-efficiency measures. Thermal imaging is used to identify homes that could most benefit from improved insulation, and free or grant-assisted insulation is offered to address fuel poverty.

Our plans for 2012/13 include:

- ◆ Investing in our existing housing stock and starting to deliver the new council house building programme.
- ◆ Working 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.
- ◆ Increasing 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.
- ◆ Reviewing our approach to ensure new specialist housing is provided including carrying out an assessment of potential Gypsy and Traveller sites, as part of the local plan development.
- ◆ Completing 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.
- ◆ Maintaining and promoting 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.
- ◆ Undertaking a review of empty homes policy in the light of national policy change and take effective action to get vacant homes back into use.
- ◆ Improving support to rough sleepers, including the completion of the Jimmy's Assessment Centre project, thereby reducing the incidence of rough sleeping and use of temporary accommodation as households move more effectively to secure permanent housing.

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Strategy Portfolio Plan

During 2011/12 we:

- ◆ Adopted a new Single Equality Scheme for 2012 to 2015, which sets out what we will do to challenge discrimination and promote equal opportunity in all aspects of our work.
- ◆ Used social media more effectively to ensure that residents are kept informed of important news and service changes.
- ◆ Adopted and implemented a Code of Best Practice on Consultation and Community Engagement. This established clear principles to guide council departments on a more structured, proportionate and appropriate approach to consultation.
- ◆ Improved how we engage with residents about the issues that matter most to them by training our staff to enhance their customer service skills.
- ◆ Reviewed and streamlined the Council's partnership work to ensure that it is clearly aligned with our vision for the city and consistently contributes to achieving it.
- ◆ Agreed a cultural and organisational change programme to move us further towards working as "One Council", so we deliver services to our customers more seamlessly and efficiently, and within the resources available.
- ◆ Took decisions to give more powers to our Area Committees to make it easier for people to influence the decisions being made about their local area. The powers devolved include decisions about who receives Safer City Grants, and some decisions about projects funded by developer contributions that meet the needs of each area and the priorities agreed with each local community.

Our plans for 2012/13 include:

- ◆ Adopting a refreshed Climate Change Strategy to set out our strategic approach to climate change over the next five years.
- ◆ Implementing our Carbon Management Plan to reduce the City Council's carbon footprint and energy bills, including developing a proposal for a district heating scheme.
- ◆ Implementing our Single Equalities Scheme to ensure that we better understand and meet the diverse needs of the city's communities.
- ◆ Engaging and consulting with communities on key issues affecting them in appropriate and effective ways, in line with our Code of Best Practice on Consultation and Community Engagement.
- ◆ Developing our website so that our customers can conduct even more of their business online, and continuing to identify and adopt innovative and effective uses of social media.
- ◆ Ensuring 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.

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- ◆ Working with partners to drive forward the economic development of the city and its surrounding area through the Local Enterprise Partnership.
- ◆ Ensuring 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.

How to find out more

Further information about the Council's performance and the Council's priorities for 2012-13 can be found in our Portfolio Plans which are available on our website <http://www.cambridge.gov.uk/ccm/navigation/about-the-council/how-the-council-orks/council-performance/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.

Introduction to the Statement of Accounts

I am pleased to introduce the Council's Statement of Accounts for 2011/12. 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 102, 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 2011 to 31 March 2012.

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 appropriate notes together with a statement of the accounting policies of the Council and a glossary of terms.

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

Review of 2011/12

The national and international economic climate, together with pressure to significantly reduce public sector spending, continued to provide a very challenging financial environment for the Council during 2011/12. Effects have been most marked in relation to higher levels of inflation than originally forecast, continuing low interest rates and the failure of the housing market to show significant signs of recovery. Budgets were reviewed and revised during the year to reflect changing circumstances in particular both immediate and anticipated future reductions in government funding for the Council's services.

As previously reported, the City Council was one of many local authorities affected by the collapse of Icelandic banking institutions in 2008/09 with a total of £9 million in short term deposits with two of the affected banks (Landsbanki Islands hf and Heritable Bank Plc). Although the final position will not be known for some time, the prospects for recovery (albeit over an extended period) of the majority of these deposits is now 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. This has resulted in the partial

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reversal in the year of the impairment in the valuation of these deposits which had been required to be reflected in the accounts for the preceding year. Further information can be found in note 25.

Just as in the private sector, the effects of the economic climate on the values of Council-owned property are reflected in the accounts each year. The most significant change in property values reflected in these accounts related to the Council's investment properties. There was a gain of £8.4 million on the value of the Council's interest in the Lion Yard shopping centre.

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. Formal shared service arrangements are already in place for the Choice Based Lettings Service and the management of the Internal Audit service.
- ◆ During the year, the City Council, South Cambridgeshire District Council and Huntingdonshire District Council agreed to establish a shared Home Improvement Agency service to be operational from 1 April 2012. Home Improvement Agencies are organisations that help vulnerable people maintain their independence by helping them to repair, maintain or adapt their homes by providing practical or financial advice and support.
- ◆ The Council conducted a review of its administrative and business support arrangements during 2011/12 and has consolidated staff and work into smaller site-based teams. The new arrangements, introduced in early 2012/13, will deliver more cost effective services and contribute considerable on-going savings towards the Council's overall savings targets.
- ◆ The Council completed a major, £2 million, investment programme at its crematorium on Huntingdon Road. The programme, which will result in greater energy efficiency and reduced pollution, included installation of three new energy efficient cremators, a filtration system to safely remove all mercury emissions and a heat exchanger unit to heat the chapels and other buildings.
- ◆ The Council significantly reduced the cost of the Waste Service by optimising the routes taken by our vehicles to collect waste and materials for recycling. In addition, income from trade waste collection was increased by making the service more competitive and more attractive.
- ◆ Successful preparations were made for the introduction of new Housing Revenue Account Self-Financing arrangements introduced from 1 April 2012. This new financial regime for the funding of Council dwellings replaces the old annual subsidy system under which the City Council had to pay a significant amount of its housing rent income to Central Government each year. The new arrangements will give the Council greater

Introduction to the Statement of Accounts

certainty and control over the funding of the HRA and will enable additional investment in the stock, including building new homes.

- ◆ Major investment continued to be made in the Council's housing stock following the achievement of the 'Decent Homes Standard' for all Council dwellings during 2010/11. In addition to expenditure on repairs and improvements we have spent £2.5 million refurbishing Brandon Court sheltered scheme to meet current standards for this type of accommodation and resident expectations.

Revenue Spending and Income

General Fund Services

For 2011/12, the Council agreed a budget for net spending of £16.7 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 from that set for the previous year.

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 2011.

(£000s)	Original Budget	Actual	Difference
Net Revenue Spending on Services	18,672	18,589	(83)
Capital Accounting Adjustments	(3,261)	(4,683)	(1,422)
Capital and Revenue Projects Spending Funded from Revenue	3,682	2,044	(1,638)
Contributions to/(from) Reserves	(2,227)	1,423	3,650
Total	16,866	17,373	507
Financed by:			
Formula Grant (including share of Business Rates)	9,515	9,515	0
Other Government Grants	607	1,114	507
Council Tax	6,744	6,744	0
Total	16,866	17,373	507

The Council's actual net revenue spending on the provision of services was just £83,000 below the original budget set for the year, however, a variety of factors contributed to this overall position. Tight budgetary control, the delivery of savings from service reviews and close controls on recruitment to vacant posts during the year accounted for significant savings which helped to offset unavoidable additional costs. Depreciation charged to services was higher than originally budgeted (reflecting the valuation of assets at 31 March 2011 after the budget was set) but this increase has been offset by a statutory capital accounting adjustment.

The total amount of capital and revenue project expenditure funded from revenue was below budget by £1,638,000, largely reflecting slippage on the timing of projects.

Introduction to the Statement of Accounts

Government grant income was £507,000 higher than the original budget as the Council's New Homes Bonus Grant allocation for 2011/12 had not been announced when the budget was set. In addition, Central Government paid £123,000 of New Home Bonus Grant relating to 2012/13 early.

Together, the overall changes in spending and grant meant that the combined use of general and earmarked reserves was reduced by £3,650,000 from that originally planned.

A net use of the General Fund Reserve of £392,000 was made for the year and, at the year-end, the reserve stood at £9.46 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 2011/12 was set to deliver a sustainable financial position over the longer term. Part of the longer-term budget strategy has been to release HRA reserves over a period of years until they are reduced to the target level of £3,000,000. For 2011/12 the budget was set with the intention of using £44,100 of reserves, with an expectation that by the end of 2013/14 the level of reserves would be at target. This strategy has provided additional revenue contributions to fund capital expenditure, enabling extra investment in our housing stock, assisting in maintaining the decent homes standard, whilst also allowing for some discretionary investment.

The table below compares the final outturn figures for the Housing Revenue Account with those originally planned, when the budget and rent increase for the year was agreed in February 2011.

(£000s)	Original Budget	Actual	Difference
Revenue Spending on Services	13,050	12,371	(679)
Negative HRA Subsidy	13,004	12,903	(101)
Debt Management Costs and Interest	352	437	85
Other Expenditure	336	644	308
Capital Accounting Adjustments	5,119	5,119	0
Direct Revenue Funding of Capital and Revenue Projects in the Housing Capital Investment Plan	2,021	1,823	(198)
Total	33,882	33,297	(585)
Financed by:			
Dwelling Rents and Service Charges	32,266	32,663	397
Rent (Garages, Land & Commercial Property)	1,155	1,110	(45)
Interest Income	38	64	26
Other Income	379	745	366
Contributions (to) / from Reserves	44	(1,285)	(1,329)
Total	33,882	33,297	(585)

In June 2011, approval was given to carry forward resources of £1,156,000 to fund expenditure re-phased from 2010/11. Of this sum, £951,000 was to meet the costs of capital investment in the housing stock. The balance of £205,000 related predominantly to costs

Introduction to the Statement of Accounts

relating to preparation of the self-financing business plan, fire safety risk assessments, lift inspections, hardwire and electrical testing, where work had not progressed as quickly as planned. This approval increased the anticipated use of reserves in 2011/12 to £1,200,100.

In January 2012, the planned use of reserves for 2011/12 was reduced to £1,129,730, taking account of changes made at the time the Medium Term Strategy was agreed and as part of the revised budget process. The budget changes made were a combination of savings in staff and operational costs as a result of internal reorganisation and changes made in response to reductions in Supporting People funding.

At outturn, the HRA reported a net cost of services of £2,733,706, excluding the one-off payment of the Housing Revenue Account Self-Financing settlement of £213,572,000. Following final accounting adjustments, the outturn position for the HRA for 2011/12 was to make a contribution to reserves of £1,285,411. Requests have been made to carry forward funding of £1,853,280 into 2012/13, reflecting re-phasing of a number of projects, but particularly recognising the deferred need to use revenue funding to meet capital expenditure in light of slippage in the Housing Capital Investment Programme.

Housing Revenue Account reserves stood at £6.97 million at the year-end.

Capital Spending and Receipts

In 2011/12 the Council spent £14.0 million on capital projects. Of this expenditure £6.7 million was on major repairs and improvements to council dwellings, £2.6 million on other land and buildings (including £1.9 million on the Crematorium project) and £3.5 million on assets in the course of construction (including the £2.5 million on Brandon Court).

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £3.1 million in the year, of which £1.4 million had to be paid over to central government.

External Borrowing

The Council undertook external borrowing of £213.57 million at the end of the financial year. This borrowing was required in order to meet a one-off debt settlement payment to Central Government in relation to the introduction, from 1 April 2012, of new Self-Financing arrangements for the Housing Revenue Account. Prior to this the Council had been debt-free since 31 March 2003.

Pension Costs

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £78.9 million at 31 March 2012. 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 64.

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

In my opinion the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2012 and its income and expenditure for the year then ended.

David Horspool
Director of Resources
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 2011/12

(£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	209,320	0	0	0	0	198,007	0	198,007
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	15,085	15,085
Total Comprehensive Income and Expenditure	(11,313)	0	209,320	0	0	0	0	198,007	15,085	213,092
Adjustments between accounting basis and funding basis under regulations (Note 4)	9,317	0	(210,842)	0	2,345	(819)	815	(199,184)	199,184	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 Year	392	(2,388)	(1,286)	(236)	2,345	(819)	815	(1,177)	214,269	213,092
Balance at 31 March 2012 carried forward	(9,458)	(19,706)	(6,974)	(2,472)	(10,420)	(1,171)	(5,261)	(55,462)	(437,960)	(493,422)

Main Financial Statements

Financial Year 2010/11

(£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 2010	(9,302)	(16,965)	(5,168)	(1,957)	(12,155)	0	(6,173)	(51,720)	(673,723)	(725,443)
Movement in reserves during 2010/11										
(Surplus) / deficit on the provision of services	(23,576)	0	57,901	0	0	0	0	34,325	0	34,325
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(15,396)	(15,396)
Total Comprehensive Income and Expenditure	(23,576)	0	57,901	0	0	0	0	34,325	(15,396)	18,929
Adjustments between accounting basis and funding basis under regulations (Note 4)	22,675	0	(58,700)	0	(610)	(352)	97	(36,890)	36,890	0
Net (increase) / decrease before transfers to earmarked reserves	(901)	0	(799)	0	(610)	(352)	97	(2,565)	21,494	18,929
Transfers to / (from) earmarked reserves (Note 5)	353	(353)	279	(279)	0	0	0	0	0	0
(Increase) / decrease in 2010/11	(548)	(353)	(520)	(279)	(610)	(352)	97	(2,565)	21,494	18,929
Balance at 31 March 2011	(9,850)	(17,318)	(5,688)	(2,236)	(12,765)	(352)	(6,076)	(54,285)	(652,229)	(706,514)

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)							
		2011/12			2010/11(as restated)		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		8,058	(7,231)	827	8,924	(7,291)	1,633
Cultural and related services		12,587	(4,498)	8,089	14,564	(6,774)	7,790
Environmental and related services		13,349	(4,935)	8,414	12,787	(4,731)	8,056
Planning services		7,300	(2,245)	5,055	8,652	(3,137)	5,515
Highways and transport services		5,866	(8,702)	(2,836)	13,099	(10,618)	2,481
Local authority housing - settlement payment to government for Housing Revenue Account self-financing	3	213,572	0	213,572	0	0	0
Local authority housing (Housing Revenue Account) - other	3	31,273	(34,599)	(3,326)	92,849	(32,849)	60,000
Other housing services		42,281	(36,945)	5,336	38,359	(34,615)	3,744
Corporate and democratic core		2,645	0	2,645	2,833	0	2,833
Non distributed costs	3	252	0	252	(22,762)	0	(22,762)
Cost of Services		337,183	(99,155)	238,028	169,305	(100,015)	69,290
Other operating expenditure	6	1,899	(37)	1,862	1,946	(1,492)	454
Financing and investment income and expenditure	7	11,000	(33,026)	(22,026)	12,595	(24,874)	(12,279)
Taxation and non-specific grant income	8	0	(19,857)	(19,857)	0	(23,140)	(23,140)
(Surplus) / deficit on provision of services	9	350,082	(152,075)	198,007	183,846	(149,521)	34,325
(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	35			(4,467)			12,623
Actuarial (gains) / losses on pension assets / liabilities	39			19,552			(28,019)
Other comprehensive (income) / expenditure				15,085			(15,396)
Total Comprehensive (Income) / Expenditure				213,092			18,929

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 2012	31 March 2011 (as restated)	1 April 2010 (as restated)
Property, Plant and Equipment	16	618,547	612,795	691,941
Heritage Assets	19	430	430	430
Investment Property	22	111,373	96,834	89,289
Intangible Assets	23	538	504	513
Long Term Investments	25	2,190	3,294	4,785
Long Term Debtors	26	1,111	1,001	1,056
Long Term Assets		734,189	714,858	788,014
Short Term Investments	25	57,606	50,587	39,397
Assets Held for Sale	27	0	0	0
Inventories		239	303	369
Short Term Debtors	28	8,079	11,177	16,235
Cash and Cash Equivalents	29	4,781	2,557	3,817
Current Assets		70,705	64,624	59,818
Short Term Creditors	30	(13,053)	(8,767)	(9,509)
Receipts in Advance	31	(2,779)	(3,424)	(3,221)
Provisions	32	(315)	(284)	(345)
Current Liabilities		(16,147)	(12,475)	(13,075)
Long Term Borrowing		(213,654)	0	0
Other Long Term Liabilities	39	(78,945)	(57,871)	(106,193)
Capital Grants Receipts in Advance	33	(2,726)	(2,622)	(3,121)
Long Term Liabilities		(295,325)	(60,493)	(109,314)
Net Assets		493,422	706,514	725,443
Usable Reserves	34	(55,462)	(54,285)	(51,720)
Unusable Reserves	35	(437,960)	(652,229)	(673,723)
Total Reserves		(493,422)	(706,514)	(725,443)

These financial statements were authorised for publication on the 11 June 2012.

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	2011/12	2010/11
Cash flows from operating activities			
Cash receipts		115,088	115,457
Cash payments		(320,192)	(105,610)
Net cash flows from operating activities	40	(205,104)	9,847
Net cash flows from investing activities	41	(13,335)	(14,369)
Net cash flows from financing activities	42	220,663	3,262
Net (decrease) / increase in cash and cash equivalents		2,224	(1,260)
Cash and cash equivalents at the beginning of the year	29	2,557	3,817
Cash and cash equivalents at the end of the year	29	4,781	2,557

NOTES TO THE MAIN FINANCIAL STATEMENTS

Notes to the Main Financial Statements

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 87 to 102, 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 Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 (excluding assets and liabilities that are carried at fair value based on a recently observed market price) for which there is a significant risk of material adjustment 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. For instance a 0.5% decrease in the discount rate assumption would increase the pension liability by £21.1 million and a 0.5% increase in the rate of increase in pensions would increase the liability by £15.5 million. However, the assumptions interact in complex ways so care should be taken in looking at changes in one variable in isolation.

Property, Plant and Equipment

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

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls. It is estimated that the annual depreciation charge for assets would increase by approximately £957,000 for every year that useful lives had to be reduced.

Notes to the Main Financial Statements

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 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 credit for reversal of previous revaluation losses of £3.8 million has been credited to expenditure within the Local authority (HRA) net cost of service line. The comparative expenditure figure for 2010/11 includes revaluation losses of £59.0 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 2010/11 figure for non-distributed costs (part of the net cost of services) includes a past service gain of £23.5 million which was credited to expenditure. This reflected the announcement that from 1 April 2011 public service pensions were to be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

The following material items are included within the Financing and investment income line:

Increases in the fair value of investment properties of £15.5 million (£7.7 million in 2010/11). This includes an increase of £8.4 million in respect of Lion Yard shopping centre and £5.0 million in respect of land at Cowley Road.

Notes to the Main Financial Statements

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

The total comprehensive 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 2011/12

(£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 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	3,686	0	0	0	(3,841)
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	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 repayment	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	(9,276)	0	9,276
Reversal of Major Repairs Allowance credited to the HRA	0	(4,157)	0	4,157	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	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustment 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	(210,842)	2,345	(819)	815	199,184

Notes to the Main Financial Statements

Financial year 2010/11

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(3,863)	0	0	0	0	3,863
Net revaluation losses on property, plant and equipment	(3,861)	(59,527)	0	0	0	63,388
Movements in the market value of investment properties	7,582	135	0	0	0	(7,717)
Amortisation of intangible assets	(109)	0	0	0	0	109
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,923)	(595)	0	0	0	2,521
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(94)	(1,436)	0	0	0	1,530
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	(20)	0	0	0	0	20
Capital Expenditure charged against General Fund and HRA balances	1,998	1,792	0	0	0	(3,790)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	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	1,533	0	0	0	(1,533)	0
Transfer of capital contributions unapplied to the General Fund	(498)	0	0	0	498	0
Application of grants to capital financing transferred to the Capital Adjustment Account	1,551	788		0	1,132	(3,471)
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	2,803	(2,803)	0	0	0
Other capital receipts	0	185	(185)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,253	0	0	(1,253)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,946)	0	1,946	0	0	0
Transfer to capital receipts reserve on receipt of loan repayment	0	0	(36)	0	0	36
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(785)	0	0	785
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustment primarily involving the Major Repairs Reserve:						
HRA depreciation	0	0	0	(8,410)	0	8,410
Reversal of Major Repairs Allowance credited to the HRA	0	(3,390)	0	3,390	0	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	4,668	0	(4,668)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustment 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	1,983	546	0	0	0	(2,529)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	16,280	(1,084)	0	0	0	(15,196)
Employer's pension contributions and direct payments to pensioners payable in the year	4,023	1,084	0	0	0	(5,107)
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	(41)	0	0	0	0	41
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	89	(7)	0	0	0	(82)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General Fund under statutory regulation	(6)	6	0	0	0	0
Total adjustments	22,675	(58,700)	(610)	(352)	97	36,890

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 2011/12.

(£000s)	2010/11			2011/12			
	Balance at 1 April 2010	Transfers In	Transfers Out	Balance at 31 March 2011	Transfers In	Transfers Out	Balance at 31 March 2012
General Fund:							
Asset Repair and Renewals Reserves	(12,533)	(2,566)	2,104	(12,995)	(3,238)	2,307	(13,926)
Insurance Fund	(847)	(652)	812	(687)	(869)	693	(863)
Technology Investment Fund	(190)	(84)	33	(241)	(15)	43	(213)
Commutation Adjustment	0	0	0	0	0	0	0
Development Plan Reserve	(80)	(201)	9	(272)	(181)	35	(418)
Compulsory Purchase Order Compensation Reserve	(583)	0	0	(583)	0	0	(583)
Major Planning Appeals Reserve	(31)	0	0	(31)	0	8	(23)
Revenue Contributions to Capital	(525)	0	282	(243)	0	20	(223)
Other	(2,176)	(1,353)	1,263	(2,266)	(2,056)	865	(3,457)
Total	(16,965)	(4,856)	4,503	(17,318)	(6,359)	3,971	(19,706)
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(1,623)	(260)	57	(1,826)	(265)	103	(1,988)
Shared Ownership Reserve	(300)	0	0	(300)	0	0	(300)
Other	(34)	(103)	27	(110)	(95)	21	(184)
Total	(1,957)	(363)	84	(2,236)	(360)	124	(2,472)

Notes to the Main Financial Statements

6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2011/12		2010/11	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	1,440	0	1,946
(Gains) / losses on the disposal of non-current assets	0	459	(1,307)	0
Other income	(37)	0	(185)	0
	(37)	1,899	(1,492)	1,946

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

(£000s)	2011/12		2010/11	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	84	0	2
Impairment of investments	0	(468)	0	42
Pensions interest cost and expected return on pensions assets	(8,798)	10,435	(8,656)	11,558
Interest receivable and similar income	(841)	0	(793)	0
Income and expenditure in relation to investment properties and changes in their fair value	(23,387)	949	(15,425)	993
	(33,026)	11,000	(24,874)	12,595

Notes to the Main Financial Statements

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

(£000s)	2011/12	2010/11
Council tax income	(6,670)	(6,655)
Non domestic rates	(7,268)	(10,861)
Non-ringfenced government grants	(3,361)	(1,752)
Capital grants and contributions	(2,558)	(3,872)
	(19,857)	(23,140)

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 pensions 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 settlement payment due to central government on self- financing of the Housing Revenue Account as this was not funded from revenue resources, but from a number of loans from the Public Works Loan Board.

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:

Notes to the Main Financial Statements

(£000s)	2011/12	2010/11 (as restated)
Net Expenditure for the year as reported to management		
General Fund		
Community Services Scrutiny Committee		
Arts, Sports and Public Places	6,031	5,891
Community Development & Health	3,737	3,370
Housing	2,827	2,515
Environment Scrutiny Committee		
Planning & Sustainable Transport	1,627	3,305
Environmental & Waste Services	8,014	7,103
Strategy & Resources Scrutiny Committee		
Customer Services and Resources	(6,363)	(3,689)
Strategy & Climate Change	2,717	2,627
Housing Revenue Account		
Housing Management Board	676	568
	19,266	21,690
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	213,251	44,427
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	5,511	3,173
Cost of Services in the Comprehensive Income and Expenditure Statement	238,028	69,290

The 2010/11 comparative figures have been restated to reflect the portfolios in operation during 2011/12.

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 2011/12

(£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)	(3,840)	2,249	9,991
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)	225,111	(3,227)	350,082
(Surplus) / Deficit on the provision of services	19,266	(17,437)	(2,107)	198,285	0	198,007

Notes to the Main Financial Statements

Financial year 2010/11

(£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	(66,283)	0	0	0	9,578	(56,705)
Interest and investment income	(719)	(43)	0	(16,404)	(7,708)	(24,874)
Income from council tax	0	(6,697)	0	42	0	(6,655)
Gain on disposal of assets and other capital receipts	0	0	0	(1,492)	0	(1,492)
Government grants, donations and contributions	(43,485)	(12,438)	0	(3,872)		(59,795)
Total Income	(110,487)	(19,178)	0	(21,726)	1,870	(149,521)
Employee expenses	19,443	0	0	(23,287)	18,081	14,237
Other service expenses	85,018	0	(4,327)	4,261	(4,552)	80,400
Recharges	16,587	0	0	0	(16,587)	0
Depreciation, amortisation and impairment	11,127	0	0	63,388	1,146	75,661
Interest payments	2	0	0	11,558	42	11,602
Payments to Housing Receipts Pool	0	0	0	1,946	0	1,946
Total Expenditure	132,177	0	(4,327)	57,866	(1,870)	183,846
(Surplus) / Deficit on the provision of services	21,690	(19,178)	(4,327)	36,140	0	34,325

10 Trading Operations

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

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.

Notes to the Main Financial Statements

(£000s)	2011/12	2010/11
Income	(704)	(683)
Expenditure	365	314
Surplus	(339)	(369)

11 Agency Services

Agency Services provided on behalf of Cambridgeshire County Council were:

(£000s)	2011/12	2010/11
Local Authority Parking Enforcement surplus returned to county council	0	100
On-Street Parking Services		
Net surplus	(1,349)	(1,220)
Surplus reimbursed to county council	1,349	1,220

The agency agreement for Local Authority Parking Enforcement ended on 31 March 2010. £100,000 of prior year surpluses was returned to Cambridgeshire County Council in 2010/11.

Agency Services provided by Cambridgeshire County Council on behalf of the City were:

(£000s)	2011/12	2010/11
Highways Functions and Services		
Total costs	153	178
Costs reimbursed	153	178

12 Members' Allowances

The total allowances paid to members during the financial year 2011/12 were £242,910 (£243,694 in 2010/11) as analysed below. Details of payments to individual members are published annually in a local newspaper.

Notes to the Main Financial Statements

(£)	2011/12	2010/11
Basic allowance payments	116,611	115,915
Special responsibility payments	124,571	125,614
Childcare allowance	198	323
Travel and subsistence payments	1,531	1,841
	242,910	243,693

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).

Members of the Council have direct control over the Council's financial and operating policies. During 2011/12 the Council gave grants totalling £339,546 (£239,481 in 2010/11) to voluntary organisations in which 9 members had an interest. £0 (£0 in 2010/11) of these grants were unpaid at the year end. 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.

Notes to the Main Financial Statements

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:

	2011/12	2010/11
£50,000 to £54,999	2	4
£55,000 to £59,999	3	2
£60,000 to £64,999	9	6
£65,000 to £69,999	3	1
£70,000 to £74,999	3	5
£75,000 to £79,999	1	0
£80,000 to £84,999	0	2
£85,000 to £89,999	1	1
£90,000 to £94,999	2	2
£110,000 to £114,999	0	1
£115,000 to £119,999	1	0

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 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

Financial year 2010/11

(£) Position / Name	Salary	Allowances & Benefits in Kind	Pension Contribution	Total	Note
Chief Executive (A Jackson)	113,252	82	21,065	134,399	
Director of Resources (D Horspool)	91,891	963	17,092	109,946	1
Director of Environment (S Payne)	88,646	0	16,488	105,134	2
Director of Customer & Community Services (L Bisset)	91,891	938	17,092	109,921	3
Director of City Services (T Ainley)	27,648	0	5,143	32,791	4
Head of Corporate Strategy (A Limb)	4,629	0	861	5,490	5
Head of Human Resources (D Simpson)	65,951	54	12,266	78,271	

Note

- 1 Mr Horspool was appointed Director of Resources with effect from 2 August 2010, prior to that his position was Director of Finance.
- 2 Mr Payne was appointed Director of Environment with effect from 2 August 2010, prior to that his position was Director of Environment & Planning.
- 3 Ms Bisset was appointed Director of Customer and Community Services with effect from 2 August 2010, prior to that her position was Director of Community Services.
- 4 The position of Director of City Services was deleted with effect from 2 August 2010.
- 5 Mr Limb was appointed Head of Corporate Strategy from 8 November 2010, until 4 March 2011 this was on a secondment arrangement.

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)	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
£0 - £20,000	14	12	0	0	14	12	105	87
£20,001 - £40,000	6	5	0	0	6	5	184	151
£40,001 - £60,000	1	1	0	0	1	1	53	54
£60,001 - £80,000	0	1	0	0	0	1	0	78
Total	21	19	0	0	21	19	342	370

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.

Notes to the Main Financial Statements

15 Audit Costs

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

(£000s)	2011/12	2010/11
Fees payable to the Audit Commission in respect of:		
External audit services carried out by the appointed auditor	109	109
Fees payable in respect of statutory inspection	0	0
Certification of grant claims and returns	26	23
Fees payable in respect of other services	2	1
	137	133

Notes to the Main Financial Statements

16 Property, Plant and Equipment

Financial year 2011/12

(£000s)	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property, Plant and 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) recognised in the revaluation reserve	(6,809)	1,623	0	0	0	0	(5,186)
Revaluation increases/(decreases) recognised in the surplus/deficit on provision of services	3,720	61	0	0	0	0	3,781
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	(9,141)	(2,625)	(1,901)	(40)	0	0	(13,707)
Depreciation written out to the Revaluation Reserve	9,121	532	0	0	0	0	9,653
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

Financial year 2010/11

(£000s)	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property, Plant and Equipment
Cost or Valuation							
At 1 April 2010	575,320	108,938	15,055	1,494	703	470	701,980
Additions	7,066	435	2,052	39	206	722	10,520
Revaluation increases/(decreases) recognised in the revaluation reserve	(29,613)	5,718	0	0	0	0	(23,895)
Revaluation increases/(decreases) recognised in the surplus/deficit on provision of services	(59,008)	(4,368)	0	0	(56)	0	(63,432)
Derecognition - disposals	(1,460)	0	0	0	0	0	(1,460)
Derecognition - other	0	0	0	0	0	(64)	(64)
Assets reclassified to intangible assets	0	0	0	0	0	(24)	(24)
Assets reclassified from investment properties	0	116	0	0	56	0	172
Assets reclassified (to)/from held for sale	0	0	(594)	0	0	0	(594)
Assets reclassified (to)/from other categories of property, plant and equipment	(2,706)	2,548	250	0	0	(92)	0
At 31 March 2011	489,599	113,387	16,763	1,533	909	1,012	623,203
Accumulated Depreciation and Impairment							
At 1 April 2010	0	(3,830)	(6,014)	(170)	(25)	0	(10,039)
Depreciation charge	(8,309)	(2,036)	(1,889)	(39)	0	0	(12,273)
Depreciation written out to the Revaluation Reserve	8,241	3,032	0	0	0	0	11,273
Depreciation written out to the Surplus/Deficit on the Provision of Services	24	0	0	0	0	0	24
Impairment losses/reversals recognised in the Surplus/Deficit on the Provision of Services	0	44	0	0	0	0	44
Assets reclassified to/from Held for Sale	0	0	563	0	0	0	563
Assets reclassified to/from other categories of property, plant and equipment	43	52	(95)	0	0	0	0
At 31 March 2011	(1)	(2,738)	(7,435)	(209)	(25)	0	(10,408)
Net Book Value							
At 31 March 2011	489,598	110,649	9,328	1,324	884	1,012	612,795
At 31 March 2010	575,320	105,108	9,041	1,324	678	470	691,941

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 A Wilcock MRICS (District Valuer)
Ms A Briggs BA (Hons) MRICS (Bidwells LLP)
Ms A Groom MA MRICS (Bidwells LLP)

The basis for valuation is set out in the statement of accounting policies on page 97.

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 1994, 1997, 2002 and 2007, 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 progress of the Council's programme for the revaluation of assets:

(£000s)	Council Dwellings	Other Land and Buildings	Total
Valued at fair value as at:			
31 March 2012	491,714	10,205	501,919
31 March 2011		40,472	40,472
31 March 2010		8,222	8,222
31 March 2009		33,308	33,308
31 March 2008		19,733	19,733
Total Valuation	491,714	111,940	603,654

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 30 years, those built between 1945 and 1974 have a remaining useful life of 40 years, those built between 1974 and 2010 have a remaining useful life of 50 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 – 60 years
- Vehicles, Plant and Equipment – 3 to 20 years

The Council has revised the estimate of the proportion of HRA housing stock values deemed to relate to land. A single rate of 32.5% was previously used for all properties. For 2011/12 the Council has revised the estimate to 31% for houses and bungalows and 22% for flats. It is estimated that this has led to additional depreciation of £589,000.

19 Heritage Assets

(£000s)	Civic Regalia
Carrying value at 1 April 2010, 31 March 2011 and 31 March 2012	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 2008 to 2012 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)	2011/12	2010/11
Opening Capital Financing Requirement	(3)	(3)
Capital Expenditure		
Property, Plant and Equipment	13,796	10,520
Investment Properties	64	0
Intangible Assets	156	76
Non-current assets held for sale	0	0
Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure		
Revenue Expenditure Funded from Capital	2,797	1,841
HRA self-financing settlement payment	213,572	680
De-minimis capital expenditure	123	0
Loans Advanced		
Private Sector Housing Improvement Loans	67	64
Sources of finance		
Capital receipts	(4,056)	(1,253)
Government grants and other contributions	(3,254)	(3,471)
Revenue and reserves	(9,410)	(8,457)
Closing capital financing requirement	213,852	(3)

Notes to the Main Financial Statements

21 Capital Commitments

At 31 March 2012, the Council was contractually committed to capital work valued at approximately £3.96 million, as shown in the following table. Capital expenditure under these contracts will be incurred in 2012/13, apart from £0.15 million which it is estimated will be spent in 2013/14.

(£000s)	31 March 2012	31 March 2011
Property, Plant and Equipment		
Public conveniences	0	3
Jesus Green tennis courts	94	0
Community Olympic Public Art Commission	101	0
Mill Road Cemetery memorial artwork	53	0
Affordable homes	93	429
Decent Homes	1,323	0
Other HRA stock spend	974	0
Mercury abatement	77	0
Vehicle asset replacements	118	0
Grand Arcade Car Park control room	54	0
Development land on Kings Hedges Road	293	340
Environmental improvements	0	540
Vie Development public open space	0	94
Oracle Financials server	0	50
Sheep's Green canoe house extension	0	186
Brandon Court	400	2,794
Other works - less than £50,000 per contract	204	232
Revenue Expenditure Funded from Capital Under Statute		
Assessment Centre	0	24
Community Development grants	178	0
Disabled adaptations	0	16
	3,962	4,708

22 Investment Properties

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

(£000s)	2011/12	2010/11
Rental income from investment property	(7,911)	(7,708)
Direct operating expenses arising from investment property	605	601
Net gain	(7,306)	(7,107)

Notes to the Main Financial Statements

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)	2011/12	2010/11
Balance at start of the year	96,834	89,289
<i>Additions:</i>		
Subsequent expenditure	64	0
Net gains/losses from fair value adjustments	15,476	7,717
Disposals	(847)	0
<i>Transfers:</i>		
To/from Property, Plant and Equipment	(154)	(172)
Transfers from assets in the course of construction	0	0
Balance at the end of the year	111,373	96,834

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 £122,000 charged to revenue in 2011/12 relates to specialist software and was charged to relevant services in the Comprehensive Income and Expenditure Statement.

Notes to the Main Financial Statements

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

(£000s)	2011/12 Software licences	2010/11 Software licences
Balance at the start of the year:		
Gross carrying amounts	905	828
Accumulated amortisation	(401)	(315)
Net carrying amount at start of the year	504	513
Purchases	156	76
Amortisation for the period	(122)	(109)
Other changes	0	24
Net carrying amount at end of year	538	504
Comprising:		
Gross carrying amounts	1,061	905
Accumulated amortisation	(523)	(401)

Software purchased in 2011/12 included general network software and specialist software relating to the administration of benefits and the customer service centre. The costs will be amortised over the expected life of the software.

24 Leases

Council as Lessee

Finance Leases

The carrying value of investment properties held under finance leases was £1,547,000 at both 31 March 2012 and at 31 March 2011. Secondary lease payments of £2,247 in each of 2010/11 and 2011/12 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 £39,000 at 31 March 2012 (£96,000 at 31 March 2011).

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 £16,907,740 at 31 March 2012 (£17,269,000 at 31 March 2011).

Notes to the Main Financial Statements

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 2012	31 March 2011
Not later than one year	287	411
Later than one year and not later than five years	599	820
Later than five years	182	248
	1,068	1,479

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

(£000s)	2011/12	2010/11
Minimum lease payments	411	427

Council as Lessor

Operating Leases

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

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

(£000s)	31 March 2012	31 March 2011
Not later than one year	3,332	4,283
Later than one year and not later than five years	10,314	12,489
Later than five years	97,025	99,820
	110,671	116,592

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2011/12 £2,207,699 contingent rents were receivable by the Council (2010/11 £2,208,180).

Notes to the Main Financial Statements

25 Short-Term and Long-Term Investments

(£000s)	2011/12		2010/11	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic banks and their UK subsidiaries	2,190	1,545	3,294	1,955
Other investments	0	56,061	0	48,632
	2,190	57,606	3,294	50,587

Investments in Icelandic Banks and their UK Subsidiaries

Investments included in current assets and long-term assets in the Balance Sheet at 31 March 2012 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 LAAP guidance issued in June 2012.

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

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

Bank	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	

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

Notes to the Main Financial Statements

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

The net reversal of impairment losses recognised in the Income and Expenditure Account in 2011/12 of £471,000 (2010/11 impairment losses of £42,000) 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)	2011/12		2010/11	
	Heritable Bank Plc	Landsbanki Islands hf	Heritable Bank Plc	Landsbanki Islands hf
Balance sheet carrying value				
Long term investments	222	1,968	514	2,779
Short term investments	567	979	843	1,112
Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account	(95)	(376)	0	42
Cash received	725	1,556	616	0

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

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 71.69% of the claim – including dividends of 3.79% in April 2012. In calculating the current expected recoverable amount impairment the Council has made the following assumptions in respect of the timing of recoveries:

July 2012	3.50%
October 2012	3.50%
January 2013	3.50%
April 2013	5.81%

Notes to the Main Financial Statements

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.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. 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.

Following the sale of Iceland Foods, the Landsbanki 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. Taken together with the first distribution at the end of 2011, this raise the total amount distributed to approximately 43%. The future pattern of distributions by the Landsbanki Winding Up Board is not known, although the Board has published on its website an estimated schedule of recoveries by year, based on the position as at 31 December 2011.

Therefore in estimating the current expected recoverable amount the Council has made the following assumptions in respect of the timing of recoveries:

December 2012	7.00%
December 2013	7.00%
December 2014	7.00%
December 2015	7.00%

Notes to the Main Financial Statements

December 2016	7.00%
December 2017	7.00%
December 2018	7.00%
December 2019	7.00%

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

(£000s)	2011/12	2010/11
Heritable Bank Plc	62	97
Landsbanki Islands hf	235	240

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 2012	31 March 2011	1 April 2010
Mortgages	8	17	39
Grand Arcade reverse lease premium	223	228	233
Private sector housing improvement loans	812	675	690
Sale of land at Kings Hedges	30	30	30
Loan term loan - Kelsey Kerridge Sports Centre	38	51	64
	1,111	1,001	1,056

27 Current Assets Held for Sale

(£000s)	2011/12	2010/11
Balance at 1 April	0	0
Assets newly classified as held for sale:		
Property, plant & equipment	65	31
Assets sold	(65)	(31)
Balance at 31 March	0	0

Notes to the Main Financial Statements

28 Debtors

(£000s)	31 March 2012	31 March 2011	1 April 2010
Central government bodies	885	4,021	7,842
Other local authorities	1,997	1,329	1,156
NHS bodies	28	10	31
Public corporations and trading funds	2	3	2
Council Tax payers (City share)	622	689	694
Council Tax payers (precepting bodies share)	2,020	2,615	2,605
Housing tenants and leaseholders	470	674	785
Trade and other	2,055	1,836	3,120
	8,079	11,177	16,235

29 Cash and Cash Equivalents

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

(£000s)	31 March 2012	31 March 2011	1 April 2010
Cash held by the Council	3	5	12
Bank current accounts	398	302	285
Bank deposit account	4,380	2,250	3,520
	4,781	2,557	3,817

30 Short-Term Creditors

(£000s)	31 March 2012	31 March 2011	1 April 2010
Central government bodies	(4,351)	(956)	(1,607)
Other local authorities	(1,105)	(3,107)	(2,708)
NHS bodies	0	(1)	0
Public corporations and trading funds	(19)	0	(1)
Housing tenants and leaseholders	(619)	(613)	(609)
Other entities and individuals	(6,959)	(4,090)	(4,584)
	(13,053)	(8,767)	(9,509)

Notes to the Main Financial Statements

31 Receipts in Advance

(£000s)	31 March 2012	31 March 2011	1 April 2010
Cambridge City Council share of Council Tax receipts	(365)	(347)	(354)
Capital grants receipts in advance	(677)	(1,376)	(1,152)
Other	(1,737)	(1,701)	(1,715)
	(2,779)	(3,424)	(3,221)

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.

The Council's PVCu windows factory closed in October 2006. A 10-year warranty on all units manufactured since 1997 has been given by the Council and claims could be received until 2017. A warranty provision was established based on a percentage of the contract values. During 2010/11 a review of the provision was undertaken and given the low level of claims incurred over the last five years, the provision was reduced to a sum equal to 0.1% of the potential liability.

(£000s)	Insurance Provisions	PVCu Provisions	Total
Balance at 1 April 2011	(273)	(11)	(284)
Additional provisions made in 2011/12	(221)	0	(221)
Amounts used in 2011/12	102	2	104
Unused amounts reversed in 2011/12	86	0	86
Balance as at 31 March 2012	(306)	(9)	(315)

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 2011/12:

(£000s)	2011/12	2010/11
Credited to Taxation and Non Specific Grant Income		
Share of National Non-domestic Rates	(7,268)	(10,861)
Revenue Support Grant	(2,247)	(1,577)
Council Tax Freeze Grant	(170)	0
New Homes Bonus	(910)	0
Land Charges Grant	(34)	0
Area Based Grant	0	(175)
Capital grants and contributions	(2,558)	(3,872)
	(13,187)	(16,485)
Credited to Services		
Concessionary Fares	0	(1,990)
Ditching Maintenance	0	(100)
Free Swimming	0	(8)
Homelessness Grant	(575)	(461)
Local Support Partnership Grants	(43)	(24)
Council Tax Admin Subsidy	(232)	(274)
Council Tax Benefits Subsidy	(6,267)	(6,360)
Rent Allowance and Rent Rebates Admin Subsidy	(607)	(509)
Rent Allowance Subsidy	(16,644)	(16,138)
Non HRA Rent Rebates Subsidy	(67)	(42)
Rent Rebates Subsidy	(16,823)	(15,705)
	(41,258)	(41,611)

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 2012	31 March 2011
Capital Grants Receipts in Advance		
Due within 12 months	(677)	(1,376)
Due in more than 12 months	(2,726)	(2,622)
Total	(3,403)	(3,998)

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 2012	31 March 2011 (as restated)	1 April 2010 (as restated)
Deferred Capital Receipts	(77)	(97)	(882)
Revaluation Reserve	(42,317)	(38,615)	(51,783)
Capital Adjustment Account	(475,620)	(672,761)	(731,194)
Financial Instruments Adjustment Account	393	783	3,312
Pensions Reserve	78,945	57,871	106,193
Collection Fund Adjustment Account	158	83	42
Accumulated Absences Account	558	507	589
Total Unusable Reserves	(437,960)	(652,229)	(673,723)

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)	2011/12	2010/11
Balance at 1 April	(97)	(882)
Transfer of deferred capital receipts credited as part of other income to the Comprehensive Income and Expenditure Statement	20	35
Transfer to the Capital Receipts Reserve upon receipt of cash	0	750
Balance at 31 March	(77)	(97)

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:

Notes to the Main Financial Statements

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

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

(£000s)	2011/12	2010/11 (as restated)
Balance at 1 April	(38,615)	(51,783)
Net (gains) / losses on revaluations during the year	(4,467)	12,623
Amounts written off the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	765	539
Accumulated gains on assets sold or scrapped	0	6
Balance at 31 March	(42,317)	(38,615)

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)	2011/12	2010/11
Balance at 1 April	(672,761)	(731,194)
Charges for depreciation and impairment of non-current assets	13,709	12,273
Revaluation losses on property, plant and equipment	(3,841)	63,388
Amortisation of intangible assets	122	109
Revenue expenditure funded from capital under statute and de minimis capital spend	2,920	2,521
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	3,645	1,530
Depreciation in excess of historic cost transfer from revaluation reserve	(765)	(539)
Transfer from revaluation reserve on disposal of non-current assets	0	(6)
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,056)	(1,253)
Use of the Major Repairs Reserve to finance new capital expenditure	(4,300)	(4,668)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,072)	(2,339)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,182)	(1,132)
Repayment of private sector housing loans	12	56
Private sector housing loans adjustment	(37)	0
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(5,110)	(3,790)
Self-financing of the HRA settlement payment	213,572	0
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(15,476)	(7,717)
Balance at 31 March	(475,620)	(672,761)

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.

Notes to the Main Financial Statements

(£000s)	2011/12	2010/11
Balance at 1 April	783	3,312
Amortisation of debt redemption premium	(346)	(546)
Movement in fair value of private sector housing improvement loans	(44)	23
Movements in respect of investments in Icelandic banks	0	(2,006)
Balance at 31 March	393	783

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)	2011/12	2010/11
Balance at 1 April	57,871	106,193
Actuarial gains or losses on pensions assets and liabilities	19,552	(28,019)
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	6,448	(15,196)
Employer's pension contributions and direct payments to pensioner payable in the year	(4,926)	(5,107)
Balance at 31 March	78,945	57,871

Notes to the Main Financial Statements

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)	2011/12	2010/11
Balance at 1 April	83	42
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	41
Balance at 31 March	158	83

Accumulating Compensated Absences Adjustment Account

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

(£000s)	2011/12	2010/11
Balance at 1 April	507	589
Settlement of or cancellation of accrual made at the end of the preceding year	(507)	(589)
Amounts accrued at the end of the current year	558	507
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	51	(82)
Balance at 31 March	558	507

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 2012 are £583,448.

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

Contingent Assets

VAT

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

The above case is still ongoing with no final determination yet 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 £17.6 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 2012 this claim remained outstanding pending the outcome of a further VAT tribunal (to be heard during May 2012). This Tribunal will be looking at the question of possible distortion of competition if the provision of off-street parking by local authorities was not subject to VAT but that provided by the private sector was.

Compound Interest

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

Notes to the Main Financial Statements

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 2012	31 March 2011	31 March 2012	31 March 2011
Investments				
Loans and receivables	2,190	3,294	57,606	50,587
Debtors				
Loans and receivables	889	773	5,520	5,183
Creditors				
Financial liabilities at amortised cost	0	0	(10,438)	(9,140)
Long Term Borrowing				
Financial liabilities at amortised cost	(213,654)	0	0	0
	(210,575)	4,067	52,688	46,630

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)	2011/12		2010/11	
	Financial Liabilities at amortised cost	Financial Assets - Loans and Receivables	Financial Liabilities at amortised cost	Financial Assets - Loans and Receivables
Interest expense	84	0	2	0
Reductions in fair value	0	0	0	47
Reversal of losses on impaired financial assets	0	(471)	0	0
Impairment losses	0	251	0	232
PWLB fees on arrangement of HRA self-financing loans	75	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	159	(220)	2	279
Increases in fair value	0	(11)	0	0
Interest Income	0	(544)	0	(456)
Interest income accrued on impaired financial assets	0	(297)	0	(337)
Total income in Surplus or Deficit on the Provision of Services	0	(841)	0	(793)

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 2012 of 2.18% (3.74% at 31 March 2011) has been used to calculate the fair value of private sector housing improvement loans
- ◆ Estimated ranges of interest rates at 31 March 2012 of 3.22% to 3.28% 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

Notes to the Main Financial Statements

- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:

(£000s)	31 March 2012		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Liabilities at amortised cost				
Creditors	(10,438)	(10,438)	(9,140)	(9,140)
Long term borrowing	(224,896)	(213,654)	0	0
Loans and receivables:				
Long term debtors	889	889	773	773
Current debtors	5,520	5,520	5,183	5,183
Long term investments	2,190	2,190	3,294	3,294
Current investments	57,606	57,606	50,587	50,587

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 2011/12 the Council made some amendments to its investment strategy and these are outlined below.

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 policies have been amended during 2011/12.

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 nationalised banks and other local authorities for up to twelve months in duration and non-nationalised banks and building societies for up to three months. This is in line with guidance from our treasury management advisers and in line with the Council's established Treasury Management Deposit 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 2011/12.

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 2012 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.

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 2012 and that any residual risk cannot be quantified.

Notes to the Main Financial Statements

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

(£000s)	Maturity Band			Total
	less than 3 months	3 months to 6 months	6 months to 1 year	
31st 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

(£000s)	Maturity Band			Total
	less than 3 months	3 months to 6 months	6 months to 1 year	
31st March 2011				
United Kingdom				
Banks	8,250	0	0	8,250
Building Societies	0	0	0	0
Local Authorities	26,500	10,000	6,000	42,500
Total	34,750	10,000	6,000	50,750

These tables exclude the investments in Heritable Bank and Landsbanki as detailed in Note 26.

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 2012		31 March 2011	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	889	0	773	0
Current and former tenants	1,520	1,270	1,366	1,045
Other debtors	4,000	926	3,817	925
	6,409	2,196	5,956	1,970

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

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

Notes to the Main Financial Statements

(£000s)	31 March 2012	31 March 2011
Balance as at 1 April	1,970	1,846
Increase in allowance for impairment	240	157
Balances written off during the year	(14)	(33)
	2,196	1,970

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2012, of the total debtor and deferred debtor balances of £6.4 million (£6.0 million at 31 March 2011), the past due amount was £2.8 million (£2.2 million at 31 March 2011) and can be analysed by age as follows:

(£000s)	31 March 2012	31 March 2011
Customer Debts		
Less than three months	611	296
Three to six months	73	83
Six months to one year	195	185
More than one year	1,914	1,675
	2,793	2,239

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 have 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.

The maturity analysis of the loans is as follows:

(£000s)	31 March 2012	31 March 2011
Between 25 and 30 years	53,413	0
Between 30 and 35 years	53,413	0
Between 35 and 40 years	53,414	0
Between 40 and 45 years	53,414	0
	213,654	0

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 a bank deposit account for very short term cash deposits and the interest rate on this account moves in line with movements in the bank rate.

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

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

Borrowing 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 account had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £65,000 (£38,000 in 2010/11).

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	
	2011/12	2010/11
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	4,650	5,178
Past service costs	0	(23,479)
Settlements and curtailments	161	203
Financing and Investment Income and Expenditure:		
Interest cost	10,435	11,558
Expected return on scheme assets	(8,798)	(8,656)
Total post employment benefit charged to the surplus or deficit on the provision of services	6,448	(15,196)
Other post employment benefit charged to the comprehensive income and expenditure statement		
Actuarial (gains) / losses	19,552	(28,019)
Total post employment benefit charged to the comprehensive income and expenditure statement	26,000	(43,215)
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	(21,074)	48,322
Employers' contributions payable to the scheme	4,926	5,107

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £73.3 million (£56.3 million at 31 March 2011).

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)	2011/12	2010/11
Opening balance at 1 April	(190,481)	(227,955)
Current Service Cost	(4,650)	(5,178)
Interest Cost	(10,435)	(11,558)
Contributions by scheme participants	(1,567)	(1,707)
Actuarial gains/(losses)	(8,775)	26,309
Past Service Gains	0	23,479
Benefits paid	7,514	6,025
Estimated unfunded benefits paid	323	307
Curtailments	(161)	(203)
Closing balance at 31 March	(208,232)	(190,481)

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

(£000s)	2011/12	2010/11
Opening balance at 1 April	132,610	121,762
Expected return on assets	8,798	8,656
Actuarial gains/(losses)	(10,777)	1,710
Employer Contributions	4,926	5,107
Contributions by scheme participants	1,567	1,707
Unfunded benefits paid	(323)	(307)
Benefits paid	(7,514)	(6,025)
Closing balance at 31 March	129,287	132,610

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 2012 was 0.5%.

Notes to the Main Financial Statements

Scheme History

(£000s)	2011/12	2010/11	2009/10	2008/09	2007/08
Present value of liabilities	(208,232)	(190,481)	(227,955)	(133,978)	(136,833)
Fair value of assets in the Local Government Pension Scheme	129,287	132,610	121,762	90,405	109,994
Surplus/(deficit) in the scheme	(78,945)	(57,871)	(106,193)	(43,573)	(26,839)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £78.9 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 2013 are £4.154 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.

Notes to the Main Financial Statements

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.3%	7.5%
Bonds	3.3%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	21.0	21.0
Women	23.8	23.8
Longevity at 65 for future pensioners		
Men	22.9	22.9
Women	25.7	25.7
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	5.5%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.0%	25.0%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.0%	63.0%

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

	31 March 2012	31 March 2011
	%	%
Equity investments	72	73
Bonds	14	15
Property	9	8
Cash	5	4
Total	100	100

Notes to the Main Financial Statements

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

%	2011/12	2010/11	2009/10	2008/09	2007/08
Difference between the expected and actual return on assets	(6.4)	1.3	19.6	(31.8)	(15.1)
Experience gains and losses on liabilities	(0.0)	0.1	(0.1)	0.3	1.0

40 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2011/12	2010/11
Housing rents	16,088	15,238
Revenue Support Grant	2,247	1,577
Council share of national non-domestic rates from national pool	7,268	10,861
Housing Benefit subsidies	33,385	31,642
Council share of Council Tax receipts	6,846	6,761
Cash paid to and on behalf of employees	(33,013)	(34,840)
Payments to the capital receipts pool	(1,310)	(2,224)
Housing Benefit paid	(16,882)	(16,494)
Interest received	619	911
Interest paid	(2)	(2)
HRA Self-financing settlement payment	(213,572)	0
Other operating cash flows	(6,778)	(3,556)
	(205,104)	9,874

Notes to the Main Financial Statements

41 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2011/12	2010/11
Purchase of property, plant and equipment, investment property and intangible assets	(12,839)	(11,901)
Purchase of short-term and long-term investments	(206,975)	(203,800)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,209	3,849
Proceeds from short-term and long-term investments	201,719	193,916
Other receipts from investing activities	1,551	3,567
	(13,335)	(14,369)

42 Cashflow Statement – Financing Activities

(£000s)	2011/12	2010/11
Cash receipts from long-term borrowing	213,497	0
Other receipts from financing activities	7,166	3,262
Net cash flows from financing activities	220,663	3,262

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 Heritage Assets – Change in Accounting Policy required by the Code of Practice for Local Authority Accounting

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council.

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously heritage assets were not recognised in the balance sheet as it was difficult to obtain cost information on the assets. The Council's accounting policies for the recognition and measurement of heritage assets are set out in the statement of accounting policies.

In applying the new accounting policy, the Council has recognised £430,000 of heritage assets on the balance sheet. The 1 April 2010 and 31 March 2011 balance sheets have therefore been restated in the 2011/12 Statement of Accounts.

Notes to the Main Financial Statements

The effects of the restatement are as follows:

Effect on Opening Balance Sheet 1 April 2010

(£000s)	Opening balances as at 1 April 2010	Restatement	Opening balances as at 1 April 2010 as restated
Heritage Assets	0	430	430
Long Term Assets	787,584	430	788,014
Total Net Assets	725,013	430	725,443
Unusable Reserves	(673,293)	(430)	(673,723)
Total Reserves	(725,013)	(430)	(725,443)

Corresponding changes to the balance on unusable reserves and total reserves have been made to the Movement on Reserves Statement at 1 April 2010.

Effect on Balance Sheet 31 March 2011

(£000s)	As previously stated	Restated
Heritage Assets	0	430
Long Term Assets	714,428	714,858
Total Net Assets	706,084	706,514
Unusable Reserves	(651,799)	(652,229)
Total Reserves	(706,084)	(706,514)

Corresponding changes to the balance on unusable reserves and total reserves have been made to the Movement on Reserves Statement at 1 April 2011.

Notes to the Main Financial Statements

44 Prior Period Adjustments

The Service Reporting Code of Practice (SERCOP) has subdivided the previous single service line 'Cultural, Environmental, Regulatory and Planning Services' into three lines as shown below. Comparative figures for 2010/11 have been restated. As part of this change the accounting treatment of some investment property income that was previously netted off building costs allocated to service lines has been reviewed.

(£000s)	2010/11 (as restated)			2010/11 (as originally reported)		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public	8,924	(7,291)	1,633	8,904	(7,291)	1,613
Cultural, environmental, regulatory and planning services	0	0	0	35,715	(14,210)	21,505
Cultural and related services	14,564	(6,774)	7,790	0	0	0
Environmental and related services	12,787	(4,731)	8,056	0	0	0
Planning services	8,652	(3,137)	5,515	0	0	0
Highways and transport services	13,099	(10,618)	2,481	13,099	(10,643)	2,456
Other housing services	38,359	(34,615)	3,744	38,316	(34,615)	3,701
Corporate and democratic core	2,833	0	2,833	2,777	0	2,777
	99,218	(67,166)	32,052	98,811	(66,759)	32,052

45 Financial Instruments – Impact of the adoption of the new standard on the financial statements – effective for the 2012/13 financial year

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 incorporates amendments to *IFRS7 Financial Instruments : Disclosures*. These amendments require additional disclosures in respect of transfers of financial assets. It is not expected that these requirements will impact on the Council.

46 Date the Statement of Accounts were authorised for issue

The unaudited Statement of Accounts were authorised for issue by the Director of Resources on 29 June 2012.

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	2011/12	2010/11
Income			
Dwelling rents	2	(30,384)	(28,330)
Non-dwelling rents		(759)	(839)
Charges for services and facilities		(2,727)	(2,855)
Contributions towards expenditure		(708)	(805)
Reimbursement of costs		(21)	(20)
Total		(34,599)	(32,849)
Expenditure			
Repairs & Maintenance		5,929	5,874
Supervision & Management		6,331	6,848
Rents, rates, taxes & other charges		252	254
Depreciation & impairment		5,545	68,018
Negative HRA Subsidy	3	12,903	11,733
Increased provision for bad debts		238	122
Debt Management Costs		75	0
HRA self-financing settlement payment to government	12	213,572	0
Total		244,845	92,849
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		210,246	60,000
HRA services share of Corporate and Democratic Core		291	183
HRA Services share of Non Distributed Costs		91	514
Net Cost of HRA Services		210,628	60,697
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		(429)	(1,367)
Other income		(37)	(185)
Interest payable on PWLB loans		82	0
Interest and Investment Income		(862)	(456)
Capital Grants and Contributions Receivable		(62)	(788)
(Surplus) / Deficit for the year on HRA services		209,320	57,901

Additional Financial Statements and Information

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2011/12	2010/11
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		209,320	57,901
Adjustments between accounting basis and funding basis under statute			
Gain or loss on sale non-current assets		430	1,367
Other capital receipts		37	185
Impairment of financial instruments		0	0
Net revaluation losses on property, plant and equipment		3,686	(59,527)
Revenue expenditure funded from capital under statute and de-minimis capital expenditure		(46)	(595)
Self financing settlement payment funded from capital under statute		(213,572)	0
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		0	0
Application of grants to capital financing transferred to the Capital Adjustment Account		62	788
Movement in investment property value		447	135
Movement in short term accumulating absences		26	(7)
Net charges made for retirement benefits made in accordance with IAS19		(817)	(1,084)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund		865	1,084
Difference between amortisation of debt redemption premium determined in accordance with the Code and those determined in accordance with statute	5	346	546
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		9	6
Capital Expenditure funded by the Housing Revenue Account	8	1,842	1,792
Transfer from the Major Repairs Reserve	10	(4,157)	(3,390)
Net (increase) / decrease before transfers to or from reserves		(1,522)	(799)
Transfers to reserves		236	279
Total movement on Housing Revenue Account for the year		(1,286)	(520)
Housing Revenue Account balance brought forward		(5,688)	(5,168)
Housing Revenue Account balance carried forward		(6,974)	(5,688)

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 2012, 1.76% of properties were vacant (1.23% at 31 March 2011).

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). The average rent payable in 2010/11 was £81.39 per week based on 48 payable rent weeks (£75.13 per week on a 52 week basis).

3 Housing Revenue Account Subsidy Payable

The Council is required to pay Housing Revenue Account Subsidy to central government.

The Council's HRA subsidy payable for 2011/12 was calculated as follows:

(£000s)	2011/12	2010/11
Management and maintenance	12,061	11,687
Capital charges	495	658
	12,556	12,345
Notional rent	(30,650)	(29,101)
Interest on receipts	(1)	(1)
	(18,095)	(16,757)
Major Repairs Allowance	5,119	5,020
Subsidy Paid in Year	(12,976)	(11,737)
Adjustment to subsidy required in future years	(15)	(2)
Estimated adjustment to subsidy for prior year	2	130
Actual adjustment to subsidy for prior year	10	124
Adjustment for HRA self financing interest	76	0
Negative subsidy included in HRA Summary	(12,903)	(11,485)

4 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2012	1 April 2011	2011/12	2010/11
Dwellings	491,714	489,598	9,141	8,310
Other Land and Buildings	9,458	7,561	114	80
Infrastructure	953	765	21	20
Investment Properties	4,625	4,297	0	0
Non-current assets held for sale	0	0	0	0
Assets in the course of construction	3,987	829	0	0
	510,737	503,050	9,276	8,410

The value of council dwellings at 1 April 2011, based on vacant possession, was £1,255 million (2010/11: £1,581 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 gains on Property, Plant and Equipment of £3.6 million have been charged to the Comprehensive Income and Expenditure Statement in 2011/12 (net losses of £59.5 million in 2010/11). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

De-minimis capital expenditure of £46,000 (2010/11 £594,000) and revenue expenditure funded from capital under statute of £0 (2010/11 £1,300) has been written off during 2011/12.

The Council has revised the estimate of the proportion of HRA housing stock values deemed to relate to land. A single rate of 32.5% was previously used for all properties. For 2011/12 the Council has revised the estimate to 31% for houses and bungalows and 22% for flats. It is estimated that this has led to additional depreciation of £589,000.

5 Loan Interest Charges

During 2011/12 authorities managed their debt as a whole and no separate record is kept of loans taken out for HRA purposes. However notional HRA debt is estimated by reference to a calculation called the HRA credit ceiling. The credit ceiling is a measure of net HRA indebtedness which takes account of any new borrowing taken out each year, assumed to be for HRA purposes, and the assumed repayment of existing HRA debt. The loan interest charges met by the HRA are calculated by multiplying the mid-year credit ceiling by the Council's average rate of interest for long-term borrowing.

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

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to interest charges for the period from 28 to 31 March of £82,000 being charged to the HRA.

6 Housing Stock

The Council was responsible for an average stock of 7,325 dwellings during the year. The stock as at 31 March 2012 was as follows:-

	31 March 2012	31 March 2011
Houses & bungalows	3,697	3,702
Flats	3,058	3,060
Sheltered housing units	525	528
Shared ownership properties	40	40
Total	7,320	7,330
The change in stock during the year can be summarised as follows:		
Stock at 1 April	7,330	7,405
Right to buy sales	(12)	(17)
Net shared ownership changes	0	(1)
New properties	2	5
Other changes	0	(62)
Stock at 31 March	7,320	7,330

The majority of the 'Other changes' in 2010/11 (shown above) relate to the decommissioning of sheltered units at Seymour Court and Roman Court. These properties have been transferred to other land and buildings and are therefore no longer valued on the basis of existing use value -social housing at 31 March 2011.

7 Rent Arrears

Rent arrears at 31 March 2012 were £1,518,854 (£1,329,252 at 31 March 2011) and as a proportion of gross rent income have increased from 4.29% in 2010/11 to 4.59% in 2011/12.

At 31 March 2012 a provision for bad debt of £1,232,318 was held in the balance sheet (£1,044,879 at 31 March 2011).

8 Financing of Capital Expenditure

(£000s)	2011/12	2010/11
Capital receipts	3,663	1,036
Major repairs reserve	4,300	4,668
Revenue financing of capital	1,842	1,792
Capital contributions and grants	258	816
	10,063	8,312

Capital expenditure in the year was all in relation to HRA stock apart from £209,000 (£39,000 in 2010/11) which was spent on HRA infrastructure assets, £94,000 on other land and buildings (£48,221 in 2010/11), £35,000 on investment properties (£0 in 2010/11), and £3,229,000 (£565,000 in 2010/11) on assets in the course of construction.

9 Capital Income within the HRA

(£000s)	2011/12	2010/11
Dwellings	2,027	2,876
Land	37	132
	2,064	3,008

10 Major Repairs Reserve (MRR)

(£000s)	2011/12	2010/11
Balance at 1 April	(352)	0
Transfer to MRR during the year	(9,276)	(8,410)
Amount transferred from MRR to HRA	4,157	3,390
HRA capital expenditure on housing charged to MRR	4,300	4,668
Balance at 31 March	(1,171)	(352)

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

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)	Notes	2011/12	2010/11
Income and Expenditure Account	1		
Income			
Council Tax	2	(58,183)	(57,963)
National Non-Domestic rates	3	(88,062)	(79,261)
Contributions towards previous year's estimated Collection Fund deficit			
Cambridge City Council		(42)	0
Cambridgeshire County Council		(262)	0
Cambridgeshire Police Authority		(42)	0
Cambridgeshire Fire Authority		(14)	0
		(146,605)	(137,224)
Expenditure			
Precepts and demands:			
Cambridge City Council		6,786	6,697
Cambridgeshire County Council		42,685	42,126
Cambridgeshire Police Authority		6,908	6,817
Cambridgeshire Fire Authority		2,358	2,327
Allowable costs of NNDR collection		233	238
Payment to NNDR Pool	3	87,829	79,023
Provision for non-payment of Council Tax	4	469	357
		147,268	137,585
(Surplus)/Deficit for the Year	5	663	361
(Surplus)/Deficit as at 1 April		721	360
Deficit as at 31 March	5	1,384	721

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 2012 was set at £1,441.78, made up as follows:

(£s)	2011/12	2010/11
Cambridge City Council	166.57	166.57
Cambridgeshire County Council	1,047.78	1,047.78
Cambridgeshire Police Authority	169.56	169.56
Cambridge Fire Authority	57.87	57.87
Total	1,441.78	1,441.78

The following table shows the calculation of the Council Tax Base for 2011/12 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2011/12

Valuation Band	Total number of dwelling on the Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc)	Ratio to Band D	Band D Equivalents
A	2,835	2,136	6/9	1,424
B	9,408	7,523	7/9	5,851
C	17,370	14,936	8/9	13,277
D	8,445	7,169	9/9	7,169
E	4,739	4,077	11/9	4,983
F	3,047	2,634	13/9	3,805
G	2,828	2,291	15/9	3,818
H	447	247	18/9	494
Total	49,119	41,013		40,821

Additional Financial Statements and Information

The income of £58.18 million in 2011/12 was receivable from the following sources:

(£000s)	2011/12	2010/11
Billed to Council Tax payers	51,977	51,660
Transfer from General Fund - Council Tax benefits	6,180	6,282
Ministry of Defence Contributions in Lieu	26	21
	58,183	57,963

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 2012 was £257,462,261 (£258,788,456 at 31 March 2011) and the Uniform Business Rate in 2011/12 was set by the government at 43.3p (2010/11, 41.4p).

4 Provision for Non-Payment of Council Tax

A contribution of £469,315 (£357,723 in 2010/11) was made to a provision for bad debts. During 2011/12, £283,637 of irrecoverable debts were written off (2010/11 £103,147).

5 Collection Fund Surpluses and Deficits

The deficit of £1,383,787 at 31 March 2012 (£721,208 deficit at 31 March 2011), 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 2012	31 March 2011
Cambridge City Council	158	83
Cambridgeshire County Council	1,007	524
Cambridgeshire Police Authority	163	85
Cambridgeshire Fire Authority	56	29
	1,384	721

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 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, 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 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.

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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

6 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

The Local Government Pension Scheme

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

- The liabilities of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the iBoxx Sterling Corporates over 15 year index).

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

- 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.

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

- The grants or contributions will be received

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

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

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

12 Intangible Assets

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

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13 Inventories

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

14 Investment Properties

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

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

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

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

15 Leases

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

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

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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 2011/12* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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17 Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use – EUV)

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

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

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

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

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

Impairment

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

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

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

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower end of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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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 (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) 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.

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

18 Heritage Assets

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

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

Civic Regalia

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

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

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

19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be

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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

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

22 Value Added Tax (VAT)

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

23 Foreign Exchange Translation

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

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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.

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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 arms 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.

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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.

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Revenue Expenditure Funded From Capital Under Statute

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

Revenue Support Grant

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

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. 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.

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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