



ANNUAL REPORT AND STATEMENT OF ACCOUNTS

**FOR THE YEAR ENDING
31 MARCH 2014**

FOR CIVIC AFFAIRS SEPTEMBER 2014

Cambridge City Council

Annual Report & Statement of Accounts

2013/14

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Annual Report

Annual Report 2013/14

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

The services provided by the City Council include:

- ◆ Keeping the streets and public open spaces clean.
- ◆ Emptying refuse and recycling bins.
- ◆ Providing a range of leisure facilities, including swimming pools and community centres, and providing entertainment in the City's parks and at the Corn Exchange.
- ◆ Awarding a wide range of grants to support local organisations and community groups.
- ◆ Providing a wide range of play activities for children and young people.
- ◆ Developing a new local plan for Cambridge to guide development to 2031. Offering planning advice, progressing planning applications and making sure that new buildings and alterations are safe.
- ◆ Providing housing advice and support, and working with partners to meet peoples' housing needs.
- ◆ Acting as landlord to over 7,000 council-owned properties.
- ◆ Processing housing benefit and council tax support applications.
- ◆ Monitoring and enforcing food and drink hygiene standards, together with noise and air pollution.
- ◆ Licensing food premises, street traders and entertainment venues.
- ◆ Addressing anti-social behaviour, in partnership with the Police and other agencies.
- ◆ Managing council run car parks.
- ◆ Organising and managing elections and the electoral register.
- ◆ Council tax and business rate administration.

The City Council serves a population of about 125,500 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.

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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 all new residential sites, including the larger growth sites.

What we want to achieve

Cambridge City Council's vision guides everything we do. For 2013/14 our vision statement, which is shared with Cambridge citizens and partner organisations, was:

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.

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. The 2013/14 Portfolios were:

- Community Wellbeing
- Customer Services and Resources
- Environmental and Waste Services
- Housing
- Planning and Climate Change
- Public Places
- Strategy

Each Executive Councillor has a Portfolio 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 our 2013/14 Portfolio Plans.

Further information about the Council's performance and its priorities for 2014/15 can be found on our website at: <https://www.cambridge.gov.uk/portfolio-plans>

Community Wellbeing

During 2013/14 we:

- ◆ Carried out essential improvements to the Corn Exchange and Guildhall Halls and improved their marketing as part of the first year of a three year business plan to increase revenue from the number and type of events held.
- ◆ Awarded a new seven year leisure management contract.
- ◆ Organised activities with partners to celebrate the 150th Anniversary of the Football Association and 400th Anniversary of Parkers Piece during the Big Weekend.
- ◆ Developed the role of the Cambridge Arts Network to better coordinate and promote the city's arts and culture offer and improve opportunity for networking and support amongst arts providers and practitioners.
- ◆ Produced a new three-year plan for Sport & Physical Activity.
- ◆ Planned and coordinated multi-agency arrangements for the Tour de France: Grand Depart third leg start from Cambridge to London.
- ◆ Delivered the first year of our plan for our Children and Young People's Participation Service (ChYpPS) and delivered our income target for the service.
- ◆ Delivered our plan for the future management of the Council's community facilities and achieved our savings target for the year. Continued to promote and manage a grants programme that supports the city's community and voluntary sector.

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- ◆ Strengthened our community engagement work across the southern fringe growth sites and started to establish new community engagement structures across the north-west Cambridge growth sites.
- ◆ Involved stakeholders and residents in the design and future management arrangements for new community facilities at Clay Farm, the University site and NIAB1 and participated actively with partners to open new facilities at Trumpington Meadows.
- ◆ Supported plans for ultra-fast broadband coverage within the city area, as a part of the “Connecting Cambridgeshire” initiative.

Customer Services and Resources Portfolio Plan

During 2013/14 we:

- ◆ Completed upgrades to 1,000 desktops in the Council, transitioned to a new ICT support provider and joined a county wide private network, enabling sharing and cost savings.
- ◆ Explored further opportunities to work in collaboration, or share services with other public sector organisations, in order to create efficiencies or improve our resilience.
- ◆ Enabled more staff to work more flexibly and efficiently, by providing appropriate support in terms of buildings, technology and working practices.
- ◆ Sought to maximise the commercial return from the development of growth sites on the southern and north-eastern fringes of the city, subject to the Council’s other objectives for these developments.
- ◆ Made preparations to improve electoral registration rates in the Cambridge City electoral area and for the implementation of Individual Electoral Registration.
- ◆ Implemented our Local Council Tax scheme as part of the government’s welfare reforms, ensuring that the most vulnerable in the city are supported.
- ◆ Supported individuals affected by welfare reforms.
- ◆ Prepared the Council’s own systems and liaised with partners, such as the Department of Work and Pensions, for the future implementation of welfare reforms.

Environment and Waste Portfolio Plan

During 2013/14 we:

- ◆ Put in place a programme of activities that increased the proportion of waste that is recycled in the city and installed additional recycling banks for textiles and small WEEE (waste, electrical and electronic equipment).
- ◆ Offered businesses incentives to use our recycling services to increase the proportion of commercial waste recycled.
- ◆ Set up a new commercial food waste collection service.

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- ◆ Tendered for a county wide specification for a joint materials recycling facility contract.
- ◆ Delivered a programme of joint projects with partners in the RECAP Advanced Waste Partnership and targeted secondary schools on a waste prevention campaign.
- ◆ Reviewed cross-border refuse and recycling collection arrangements with South Cambridgeshire District Council to meet the needs of our new developments that straddle boundaries.
- ◆ Completed the “Cambridge Real Emissions” project with our partners to provide detailed evidence of air quality impacts of city centre transport options.
- ◆ Installed in-cab technology to our refuse trucks to improve services to our customers.

Housing Portfolio Plan

During 2013/14 we:

- ◆ Worked with developers, registered providers (housing associations) and planners to increase the city's social and market housing stock. Over 300 new Affordable Housing dwellings were completed.
- ◆ Completed the redevelopment of Seymour Court to include the provision of 20 new homes for older people.
- ◆ Ensured that the current standard of building by registered providers is maintained in terms of size, construction and layout to at least level four of the Code for Sustainable Homes.
- ◆ Assessed the potential for the provision of additional gypsy and traveller sites as part of the development of the Local Plan, in discussion with South Cambridgeshire District Council and Cambridgeshire County Council.
- ◆ Completed our annual planned maintenance programme of works to maintain city homes to the best possible standard.
- ◆ Continued to take action against private sector landlords that do not comply with health and safety requirements or good tenant management.
- ◆ Provided housing advice to keep homelessness to a minimum and help prevent homelessness by offering early advice on alternative housing options.
- ◆ Increased the range of temporary housing available to minimise the impact on households that become homeless or threatened with homelessness.

Planning and Climate Change Portfolio Plan

During 2013/14 we:

- ◆ Took our emerging local plan through consultation and the key stages of our approach to the Community Infrastructure Levy and submitted the new local plan for examination by the Secretary of State.

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- ◆ Took a leading role under the duty to co-operate in the delivery of the emerging strategic planning function at the sub-regional level
- ◆ Worked jointly with South Cambridgeshire District Council and Cambridgeshire County Council on the review of local plans and the County Transport Strategy.
- ◆ Implemented principles of the localism agenda relating to community engagement in the development plan process and neighbourhood planning responsibilities.
- ◆ Improved the performance and efficiency of our planning service, especially in the area of planning application processing.
- ◆ Worked closely with developers and other stakeholders to ensure that new developments are of a high design quality and environmentally sustainable and contribute positively to the character of the built and green space of the city.
- ◆ Continued to secure funding for a range of public art projects across the city.
- ◆ Adopted a tree strategy, in consultation with key stakeholders, that set out the council's overarching policy for the trees within the city and how they will be preserved for future generations.
- ◆ Took forward a joint programme with partner local authorities to deliver a Green Deal model for Cambridgeshire and secured £7.8 million in additional funding from central government.
- ◆ Continued to work with partners in the Cambridge Retrofit project towards a long-term approach for financing, monitoring and delivering energy efficiency improvements to existing properties in Cambridge.
- ◆ Delivered new transport measures and actions to improve facilities for pedestrians, cyclists and public transport users, including in the new developments in the city.
- ◆ Contributed to the review of area transport plans and proposed projects for investment, supporting the local process for bidding for new and implementing relevant funding sources.
- ◆ Put in place with our partners, additional new 20 mph zones in parts of the city.
- ◆ Delivered additional cycle parking places in accordance with our cycle parking project.

Public Places

During 2013/14 we:

- ◆ Developed a more commercial approach for our tourism service and made good progress in identifying a sustainable model of tourism that is less reliant on the Council.
- ◆ Supported the new Business Improvement District to deliver the projects set out in its business proposal.
- ◆ Developed our commemorations service to extend choices to the bereaved and made the service operate more efficiently.

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- ◆ Increased the number of street and recycling bins and dog litter bins in the city.
- ◆ Worked with the police and PCSOs to take enforcement action against dog fouling following the introduction of dog control orders.
- ◆ Introduced a rapid response team to respond to environmental emergencies outside of the city centre.
- ◆ Continued to refurbish our public toilets and look at opportunities for providing community toilets.
- ◆ Delivered developer contribution-funded public arts projects that were prioritised by the Council's Area and Scrutiny Committees.
- ◆ Introduced a revised Tree Management Protocol that aligns with the Council's Area Committee decision-making cycle.

Strategy Portfolio Plan

During 2013/14 we:

- ◆ Contributed to continuing reductions in recorded incidents of anti-social behaviour.
- ◆ Reviewed the impact of our current interventions with the street life community and developed a refreshed action plan with our partners to work with vulnerable individuals.
- ◆ Gave victims a greater say in the solutions to anti-social behaviour and low level crime by increasing our referrals to Neighbourhood Resolution Panels.
- ◆ Secured on-going resources for our Community Safety Partnership to enable continued strong inter-agency sponsorship of projects.
- ◆ Worked with the Local Enterprise Partnership and others to support sustainable growth in the Greater Cambridge economy.
- ◆ Concluded negotiations for a City Deal for the Greater Cambridge sub-region with the Government, securing up to £500 million of new funding.
- ◆ Explored the potential for generating income from council services and the feasibility of sharing services with other partners in the public sector.
- ◆ Progressed an accommodation strategy for the council and its associated savings.

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 chief financial officer;
- ♦ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- ♦ approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer 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 chief financial officer 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 chief financial officer 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.

Opinion

I certify that the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2014 and its income and expenditure for the year then ended.

Caroline Ryba
Head of Finance
Date: September 2014

I confirm that the audited accounts were approved by the Civic Affairs Committee held on the 22 September 2014.

Councillor Russ McPherson
Chair of Civic Affairs
Date: September 2014

Annual Governance Statement

Scope of Responsibility

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

In discharging this overall responsibility, Cambridge City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cambridge City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.cambridge.gov.uk or can be obtained from the Chief Executive, The Guildhall, Cambridge. This statement explains how Cambridge City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Cambridge City Council for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

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

- ◆ The Council's Objectives, which focus the Council's efforts in achieving the vision for Cambridge.
- ◆ The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.

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- ◆ The Annual Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.
- ◆ The annual budget and service planning process which translates the Council's Objectives into actions at portfolio and operational level.
- ◆ The Council's Mid-Year Financial Review, which identifies how the Council will resource its aspirations and plans for any financial risks.
- ◆ A Budget Setting Report, which sets out overall spending plans and includes a Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.
- ◆ The arrangements for regular budget monitoring and reporting of significant variances to senior management.
- ◆ An independent Internal Audit function with a risk-based audit plan.
- ◆ An annual opinion of the Head of Internal Audit on the authority's internal control environment and risk management framework.
- ◆ The Council's Constitution, which sets out the decision-making process, the terms of reference for each committee and the roles and responsibilities of Members and officers.
- ◆ The Member/Officer protocol, which aids effective communication between officers and Members and clarifies their respective roles and responsibilities.
- ◆ Codes of Conduct for Members and officers, which have been formally approved and are reviewed regularly and available to all Members and staff.
- ◆ The Council's Civic Affairs Committee, which promotes and maintains high standards of conduct by Members and which has overall responsibility for the Council's compliance with laws and regulations.
- ◆ The role of the Council's Civic Affairs Committee, which fulfils the core functions of an Audit Committee as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.
- ◆ The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed regularly by the Council's Civic Affairs Committee.
- ◆ A Register of Interests, which is maintained and reviewed regularly.
- ◆ Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and officers.
- ◆ A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.

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- ◆ The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.
- ◆ The Chief Executive is the Council's Head of Paid Service and the Head of Legal Services is the Council's Monitoring Officer. Their roles and responsibilities are set out in the Council's Articles of the Constitution.
- ◆ A 'Whistleblowing' Policy, which is in place and available on the Council's intranet.
- ◆ The Council's Complaints Procedure, which is available on the Council's website and the Independent Complaints Investigator who can investigate how the Council has dealt with its complaints.
- ◆ The annual complaints report to Civic Affairs Committee, which analyses trends in complaints against the Council and what has been done to address them.
- ◆ Member Induction training and a guide for new Members, together with ongoing training for Members on key skills and more in-depth explanations of issues concerning the Council.
- ◆ The Council's Performance Review process which is undertaken annually across the Council for all staff.
- ◆ The Council's Competency Framework, which is in place for all staff and managers.
- ◆ The Council's People Strategy, which sets out how the Council will recruit, reward and develop its staff to reach their full potential.
- ◆ The Media Protocol, which sets out the processes for drafting and clearing news releases and engaging with the media.
- ◆ The new Programme Office, which commissions and monitors projects to implement change and transformation.
- ◆ The Citizens' Survey, which is undertaken periodically to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.
- ◆ The Code of Corporate Governance, which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.
- ◆ A framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.
- ◆ The corporate website, residents' magazine and social media channels, which along with other publications and communications provide for informing and engaging residents and other stakeholders in service delivery and policy formulation.
- ◆ A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.

Annual Governance Statement

- ◆ Internal quarterly performance reporting against key performance indicators for each service prepared for and presented to the strategic leadership team to consider necessary remedial action.

A new Head of Finance post has been created and this post will fulfil the role of the S151 officer when the new post-holder starts in July 2014. Following the departure of the Director of Resources in February 2014, temporary financial management arrangements have been put in place whereby the S151 officer at South Cambridgeshire District Council has been covering the S151 role for the City Council on strategic financial issues, with the interim Head of Finance providing operational financial advice.

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out some principles regarding the status of the Chief Financial Officer (also referred to as the "section 151 officer".) The statement says:

"Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers. The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact."

The staffing structure adopted by the Council in July 2012, and implemented from the beginning of 2014, provides for the new Head of Finance post to be the Chief Financial Officer, reporting to the Director of Business Transformation. Although this is not a director level appointment, and not a direct report to the Chief Executive, organisational arrangements are in place to ensure that the outcomes of the CIPFA governance requirements are met. Before implementation the Chief Executive discussed the proposed structure with our External Auditor. He was satisfied that her proposals addressed his comments. Whilst line management responsibility will rest with the Director of Business Transformation, the new Head of Finance will be a full member of the Council's Strategic Leadership Team and will report directly to the Chief Executive on financial matters.

Review of Effectiveness

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

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed, annually, by the Council's Civic Affairs Committee.

Individual Internal Audit reports are issued directly to the relevant Director, the Director of Resources (now the Director of Business Transformation), the Leader of the Council and the relevant Executive Councillor. Executive Summaries of Internal Audit reports are circulated to the Chief Executive and the Council's Monitoring Officer to ensure that they are informed of potential areas of non-compliance with legislation. Each audit report contains an independent assurance

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opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into to the Council's Risk Register and progress on their implementation is reported to and monitored by the Chief Executive and the Strategic Leadership Team.

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

The Director of Resources was the Authority's Chief Financial Officer and therefore responsible for the proper administration of the authority's financial affairs up until the end of February 2014. A new Head of Finance post has been created and going forward, this post will fulfil the role of the S151 officer when the new post-holder starts in July 2014. During the interim period, between March and July 2014, the S151 officer at South Cambridgeshire District Council has been covering the S151 role for the City Council on strategic financial issues, with the interim Head of Finance providing operational financial advice.

The Council's Civic Affairs Committee is responsible for advising on and monitoring the Members Code of Conduct and for advising the Council on the ethical aspects of the corporate governance framework. This arrangement replaces the previous responsibilities of the Council's Standards Committee, which was disbanded in July 2012.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Civic Affairs Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those specifically addressed with new actions planned are outlined below.

Annual Governance Statement

Action Plan to Address Significant Governance Issues

1 Issue

The action plan drawn up in response to Ernst & Young's report on errors identified in the 2012-13 budget setting forecast has been implemented and new budget setting arrangements have been put in place. Internal Audit have worked with the Finance Team to review these new arrangements and have reported that they appear robust and include all stages/requirements to deliver appropriate financial control.

However, as the Council has not yet run through a full financial cycle it has not been possible to verify all of these in a 'live' environment.

Action

[Target date & Officer Responsible]

- ◆ Internal Audit to undertake further assurance work during 2014-15, as part of the audit plan, to ensure appropriate evidence is in place for all changes to financial management arrangements.

*Head of Internal Audit
31 March 2015*

Action

[Target date & Officer Responsible]

- ◆ On-going delivery of new budget/financial management arrangements to ensure necessary savings are achieved in future years.

*Head of Finance
31 March 2015*

2 Issue

The Council is undergoing significant change in the way it delivers some of its services, including the introduction of shared service arrangements in some areas of Council activity, such as the payroll service and the introduction of the City Deal. There is a risk that the Council's interests may not be protected during and after periods of transition.

Action

[Target date & Officer Responsible]

- ◆ Internal Audit to undertake a review of the governance arrangements put in place for new service delivery methods and the City Deal to ensure they are sound and protect the Council's interests and meet the Council's objectives and values.

*Head of Internal Audit
31 March 2015*

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3 Issue

The discharge of S151 responsibilities was last audited in 2007/08. New arrangements for this have recently been put in place which mean that the authority no longer complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010). It would therefore be timely to review these arrangements to ensure that all S151 duties are being picked up effectively.

Action

[Target date & Officer Responsible]

- ◆ Internal Audit to undertake an independent review of the discharge of S151 responsibilities as part of the annual audit plan.

*Head of Internal Audit
31 March 2015*

4 Issue

Information Security is a key risk to the Council. A great deal of work has already been undertaken over the last year to try and address this issue, including the establishment of the Information Security Officer Group; the organisation of four Data Protection Workshops across the Council to help inform our processes; and the updating of the Data Protection Policy.

Further work needs to be done to help raise awareness across the Council amongst all staff and managers.

Action

[Target date & Officer Responsible]

- ◆ Further Data Protection training is to be commissioned for managers and key staff across the Council to meet the specific needs/gaps identified through the Data Protection workshops.

*Strategy Officer
31 March 2015*

5 Issue

In light of the changes arising from Welfare Reform and in compliance with best practice set out in the Audit Commission's report: 'Protecting the Public Purse', it would be timely to conduct an organisational review of the Council's counter-fraud delivery arrangements.

Action

[Target date & Officer Responsible]

- ◆ Undertake a corporate review of counter-fraud arrangements, not only in respect of benefit fraud but for all types of fraud.

*Head of Internal Audit and Head of Revenues & Benefits
30 September 2014*

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6 Issue

In light of the recent changes to the make up of the Council's membership, it would be timely to review the provision of training to Members.

CIPFA has recently updated its guidance on best practice for Audit Committees. With the recent changes to the membership of the Council's Audit Committee (Civic Affairs) it would again be timely to review compliance with this.

Action

[Target date & Officer Responsible]

- ◆ Review the effectiveness of arrangements in place for providing training to new (and existing) Members.

*Head of Corporate Strategy
31 March 2015*

- ◆ Review compliance with CIPFA's best practice guidance on Audit Committees.

*Head of Internal Audit
31 March 2015*

7 Issue

In order to take forward an ambitious change and business transformation agenda, new arrangements have been put in place for the management and delivery of projects.

- ◆ Review the effectiveness of the new programme office arrangements put in place to manage new projects.

*Strategic Leadership Team
31 March 2015*

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

Councillor Lewis Herbert
Leader of the Council
Date: XX XXXXXXXX 2014

Antoinette Jackson
Chief Executive
Date: XX XXXXXXXX 2014

Introduction to the Statement of Accounts

I am pleased to introduce the Council's Statement of Accounts for 2013/14. 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 11 to 106, contain a series of statements, summarising the financial implications to 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 2013 to 31 March 2014.

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

The key financial statements are as follows:

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

These accounts are supported by a comprehensive set of notes together with a statement of the accounting policies of the Council and a glossary of terms. An index to the main notes to the accounts is provided on page 18.

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 the Finance Service team and other finance staff across the Council, and I would like to thank them, Directors, and service managers for their assistance in the preparation of these accounts.

Review of 2013/14

Four years on from the 2010 Spending Review, the context of public sector spending cuts is now well established and familiar to all those working across the sector. The UK economy, after a sustained period of recession grew during 2013/14, with inflation ending the year below 2% and unemployment almost at pre-financial crisis levels.

As in previous years, budgets were closely monitored during the year and revisions made, where necessary, to reflect changing circumstances. These revisions included changes to reflect Council's approval to carry forward budgets from 2012/13 to meet the costs of re-phased expenditure, additional savings identified during the year and also to provide for unavoidable additional costs.

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

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:

Introduction to the Statement of Accounts

- ◆ 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 join forces with other local authorities to merge the commissioning and delivery of functions. Work is currently underway to set up new shared services for both the Legal and Waste Services, whilst shared service arrangements are already in place for Payroll, Choice Based Lettings Service, the management of the Internal Audit service and the provision of Home Improvement Agency services.
- ◆ Improvements were made to the Council's open spaces, sports, recreation and public art provision through a range of projects funded by developers.
- ◆ The Council continued to work closely with public sector partners to plan the provision of new services and facilities in the North West and Southern fringes of the City (where major development is taking place) including a new primary school at Trumpington Meadows and a new multi-use community centre at Clay Farm.
- ◆ The Government's welfare reforms were established during the year including the new Local Council Tax Support scheme which replaced the Council Tax Benefit subsidy scheme.
- ◆ Major investment continued to be made in the Council's housing stock. In addition to expenditure on repairs and improvements to existing dwellings we are delivering a new council house building programme and are working with planners, developers and others to increase the supply of affordable housing.

Revenue Spending and Income

General Fund Services

For 2013/14, the Council agreed a budget for net spending of £17.8 million. This sum was financed in part by government grant together with the New Homes Bonus and 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 £169.90 for Band D properties.

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 2013.

Introduction to the Statement of Accounts

| (£000s) | Original Budget | Actual | Difference |
|---|-----------------|---------------|----------------|
| Committee | | | |
| Community Services | 10,840 | 10,948 | 108 |
| Environment | 11,703 | 11,220 | (483) |
| Strategy & Resources | (1,982) | (2,817) | (835) |
| Net Spending on Services | 20,561 | 19,351 | (1,210) |
| Capital Accounting Adjustments | (4,593) | (4,612) | (19) |
| Capital and Revenue Projects Spending Funded from Revenue | 1,237 | 603 | (634) |
| Contributions to non-domestic rates Earmarked Reserve | 0 | 3,405 | 3,405 |
| Contributions to Earmarked Reserves – before statutory accounting adjustments | 1,294 | 1,235 | (59) |
| Contributions to/(from) General Fund Reserve | (713) | 995 | 1,708 |
| Total | 17,786 | 20,977 | 3,191 |
| Financed by: | | | |
| Revenue Support Grant | 5,609 | 5,639 | 30 |
| New Homes Bonus (NHB) | 2,117 | 2,117 | 0 |
| Non-domestic rates – net income | 3,732 | 6,595 | 2,863 |
| Non-domestic rates – small business relief grant | 0 | 254 | 254 |
| Other Specific Grants | 75 | 119 | 44 |
| Council Tax | 6,253 | 6,253 | 0 |
| Total | 17,786 | 20,977 | 3,191 |

Although the Council's actual net revenue spending on the provision of services was £1,210,000 less than the original budget set for the year, a variety of factors contributed to this overall position. In a number of areas there have been underspends on staff costs, for example in Internal Audit, Street Cleaning, Planning Policy and Building Control. In addition there have been increases in Income over budget, for example in the Trade Refuse and Recycling activities. Tight budgetary control, the delivery of savings from service reviews and other efficiency measures combined to largely offset unavoidable additional costs.

The total amount of capital and revenue project expenditure funded from revenue was below the original budget by £634,000 largely reflecting slippage on the timing of expenditure.

A net contribution to the General Fund Reserve of £995,000 was made for the year and, at the year-end, the reserve stood at £8,990,000. This reserve provides financial flexibility to the Council for meeting exceptional and/or unanticipated items.

Changes to the arrangements for funding of local government services came into effect from 1 April 2013 and this Statement of Accounts reflects the changes. The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. Under previous arrangements, central government as part of the local government settlement announcement each year, determined the amount of the national business rates pool that each authority would receive, and as such there was no direct link between the business rates collected by the Council and the funding we received.

Introduction to the Statement of Accounts

However from April 2013 the Council retains an element of any business rates collected above the assumed 'baseline' level, paying the reminder to central government as a 'levy'. If business rates income falls to less than 92.5% of the baseline, the Council receives a 'safety net' payment so that any loss of income below the baseline is capped at 7.5%.

Whilst there is the potential for the Council to benefit from business rates growth in the City, there is also a degree of risk in that the Council has to bear a proportion of any reduction in business rates, for example as a consequence of demolition of premises or reductions in the rateable value of existing properties (including retrospective reductions).

Given the risks in the new scheme, when the original budget was set for 2013/14, the Council adopted a prudent approach and assumed that net income under the scheme would be at the baseline level.

Under statutory regulation the amount of business rates credited to the General Fund in 2013/14 is based on an estimate, with any resulting difference being recovered from the General Fund, or paid to it in 2014/15. However any safety net or levy payments are accounted for in 2013/14. The Council agreed, as part of the February 2014 Budget Setting Report to set up an earmarked reserve to manage business rates retention and these timing differences.

At outturn the Council's share of business rates is substantially lower than the original estimate, and below the baseline funding level. This results from the need to make a much larger provision than was previously anticipated to meet the costs of refunds to business ratepayers as a consequence of successful valuation appeals. The Council's share of this provision is £3,239,000.

The Council's share of the deficit on business rates to be recovered in 2014/15 is £3,405,000. The Council has made a contribution to an earmarked reserve to fund this recovery, largely funded from the 'safety net' payment from central government of £1,570,000, a business rates related grant in respect of small business relief of £254,000 and income credited to the General Fund above the baseline assumption of £1,292,000.

Housing Revenue Account

The Housing Revenue Account (HRA) budget for 2013/14 was set based upon a revised investment strategy, to deliver a sustainable financial position over the coming 30-year period of the HRA Self-Financing Business Plan, providing for funds to be set-aside to allow the authority to redeem 25% of its debt portfolio at loan maturity, should the authority so choose, whilst facilitating significant investment in the delivery of new affordable housing.

For 2013/14 the budget was originally set with the intention of contributing £726,000 to HRA reserves, with the expectation that by the end of the financial year, reserves would be maintained at the agreed target level of £3 million. The current strategy includes a minimum level of reserves of £2 million, with a target level of £3 million, creating the ability to invest in short-term projects which are anticipated to pay back quickly.

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Management Board in June 2014, with those originally planned, when the budget and rent levels for the year were agreed in February 2013.

Introduction to the Statement of Accounts

| (£000s) | Original Budget | Actual | Difference |
|---|-----------------|---------------|----------------|
| Net Revenue Spending on Services | 14,386 | 12,755 | (1,631) |
| Debt Management Costs and Interest | 7,494 | 7,500 | 6 |
| Other Expenditure | 672 | 573 | (99) |
| Capital Accounting Adjustments | 7,361 | 7,678 | 317 |
| Direct Revenue Funding of Capital and Revenue Projects in the Housing Capital Investment Plan | 7,162 | 6,406 | (756) |
| Total | 37,075 | 34,912 | (2,163) |
| Financed by: | | | |
| Dwelling Rents and Service Charges | 36,177 | 36,527 | 350 |
| Rent (Garages, Land & Commercial Property) | 1,047 | 1,065 | 18 |
| Interest Income | 105 | 113 | 8 |
| Other Income | 472 | 592 | 120 |
| Contributions (to) / from Reserves | (726) | (3,385) | (2,659) |
| Total | 37,075 | 34,912 | (2,163) |

During the financial year, in June 2013, approval was given to carry forward resources of £3,108,000 to fund expenditure re-phased from 2012/13. The majority of this sum, £3,085,000, was towards meeting the costs of capital investment in the housing stock. The balance was to meet costs of an issue of Open Door which was deferred from March until April 2013, to fund external support to the authority in the procurement process for Supporting People Services and delayed tree and landscaping works to housing property. This approval resulted in an anticipated use of reserves in 2013/14 of £2,383,000.

Further changes in the planned use of reserves for 2013/14 were made as part of the Council's HRA Mid-Year Financial Review and revised budget process, reducing the planned use to £1,876,000. These changes reflected reduced costs for void repairs in the housing stock, resident involvement, business overheads, debt management expenses and bad debts, increased rental income, changes in service charge income and retention of income for support services for a further year, partially offset by a reduction in income for HRA commercial property, increased gas maintenance costs, legal costs associated with the planned maintenance contract, costs associated with organisational restructure and an increase in depreciation costs for the housing stock.

The outturn position for the HRA in 2013/14, reported to the Housing Management Board in July 2014, was a net contribution to reserves of £3,383,000. Requests have been made to carry forward funding of £3,393,000 into 2014/15, reflecting re-phasing of a number of projects, but particularly recognising the deferred need to use reserves to fund capital expenditure in light of slippage in the Housing Capital Investment Programme.

HRA available reserves stood at £8,880,000 at the year-end.

Introduction to the Statement of Accounts

Capital Spending and Receipts

In 2013/14 the Council acquired £22,229,000 of capital assets. Of this £12,471,000 was on major repairs and improvements to council dwellings, £2,422,000 on vehicles, plant and equipment and £4,306,000 on assets in the course of construction (including £1,359,000 on the redevelopment of housing stock and £1,722,000 in respect of improvements to Parkside and Abbey Pools).

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £8,795,000 in the year, of which £1,044,000 had to be paid over to central government.

External Borrowing

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

Pension Costs

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £95.2 million at 31 March 2014. 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 67.

Looking ahead to 2014/15

A critical element of this Council's success in dealing with the financial challenges of the past five years has been the emphasis we have placed on forward planning. Councils have to live within their means and members and officers have produced a budget plan for 2014/15 and beyond. Significant savings are required to meet the twin pressures of reducing central government funding and increased demand for services. The UK is not yet half way through what is expected to be a decade of austerity and, despite a growing economy, a national budget deficit of approximately £50 billion will remain at the time of the next General Election in 2015. This means that cuts to public spending will continue until the end of the decade, no matter which political party is in power nationally. As part of the Government's aim to bring the UK's finances back into surplus, further spending cuts will be passed on to local government by Whitehall. Officers therefore have been carrying out a review of all council spending, developing options for how the Council could meet the financial challenge.

The "City Deal" initiative will transform the transport network around Cambridge with a government grant of up to £500 million announced in the Chancellor's Budget in March 2014. The cash is expected to be released over 15 to 20 years under the deal between Cambridge and the Government, and will be topped by up to £1 billion by local authorities using proceeds from growth. Cambridge City Council, South Cambridgeshire District Council and Cambridgeshire County Council are considering the creation of a joint authority overseeing transport and housing strategy to decide how the money is best spent. The first £100 million is expected to be released in 2015/16, and much of it is likely to be spent on new cycle links such as the 'Chisholm trail' route from Cambridge Science Park to the south of the city, and new bus lanes and bus priority measures. Two further

Introduction to the Statement of Accounts

tranches, each of £200 million, would be released if the city meets targets for economic growth, house building and reducing congestion.

Further Information

Further information about the accounts is available from:

Head of Finance
Business Transformation Department
Cambridge City Council
PO Box 700
Cambridge
CB1 0JH

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.

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 2013/14

| (£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 2013 | (7,995) | (20,236) | (5,495) | (3,863) | (13,210) | (5,111) | (4,155) | (60,065) | (425,125) | (485,190) |
| Movement in reserves during 2013/14 | | | | | | | | | | |
| (Surplus) / deficit on the provision of services | (3,275) | 0 | (16,325) | 0 | 0 | 0 | 0 | (19,600) | 0 | (19,600) |
| Other comprehensive income and expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (28,493) | (28,493) |
| Total Comprehensive income and expenditure | (3,275) | 0 | (16,325) | 0 | 0 | 0 | 0 | (19,600) | (28,493) | (48,093) |
| Adjustments between accounting basis and funding basis under regulations (Note 4) | (1,457) | 0 | 12,483 | 0 | (4,383) | 192 | (6,903) | (68) | 68 | 0 |
| Net (increase) / decrease before transfers to earmarked reserves | (4,732) | 0 | (3,842) | 0 | (4,383) | 192 | (6,903) | (19,668) | (28,425) | (48,093) |
| Transfers to / from earmarked reserves (Note 5) | 3,737 | (3,737) | 457 | (457) | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / decrease in 2013/14 | (995) | (3,737) | (3,385) | (457) | (4,383) | 192 | (6,903) | (19,668) | (28,425) | (48,093) |
| Balance at 31 March 2014 | (8,990) | (23,973) | (8,880) | (4,320) | (17,593) | (4,919) | (11,058) | (79,733) | (453,550) | (533,283) |

Main Financial Statements

Financial Year 2012/13 (as restated – see Note 43)

| (£000s) | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account Balance | Earmarked HRA Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|---|----------------------|---------------------------------|---------------------------------|------------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------|------------------------|
| Balance at 1 April 2012 | (9,458) | (19,706) | (6,974) | (2,472) | (10,420) | (1,171) | (5,261) | (55,462) | (437,960) | (493,422) |
| Movement in reserves during 2012/13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Surplus) / deficit on the provision of services | 6,544 | 0 | (1,365) | 0 | 0 | 0 | 0 | 5,179 | 0 | 5,179 |
| Other comprehensive income and expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,053 | 3,053 |
| Total Comprehensive income and expenditure | 6,544 | 0 | (1,365) | 0 | 0 | 0 | 0 | 5,179 | 3,053 | 8,232 |
| Adjustments between accounting basis and funding basis under regulations (Note 4) | (5,611) | 0 | 1,453 | 0 | (2,790) | (3,940) | 1,106 | (9,782) | 9,782 | 0 |
| Net (increase) / decrease before transfers to earmarked reserves | 933 | 0 | 88 | 0 | (2,790) | (3,940) | 1,106 | (4,603) | 12,835 | 8,232 |
| Transfers to / from earmarked reserves (Note 5) | 530 | (530) | 1,391 | (1,391) | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / decrease in 2012/13 | 1,463 | (530) | 1,479 | (1,391) | (2,790) | (3,940) | 1,106 | (4,603) | 12,835 | 8,232 |
| Balance at 31 March 2013 | (7,995) | (20,236) | (5,495) | (3,863) | (13,210) | (5,111) | (4,155) | (60,065) | (425,125) | (485,190) |

Main Financial Statements

Comprehensive Income and Expenditure Statement

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

| (£000s) | Notes | 2013/14 | | | 2012/13 (as restated see Note 43) | | |
|--|----------|-------------------|------------------|-----------------|-----------------------------------|------------------|-----------------|
| | | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| Central services to the public | | 2,422 | (829) | 1,593 | 9,008 | (7,418) | 1,590 |
| Cultural and related services | | 15,032 | (4,867) | 10,165 | 13,607 | (4,312) | 9,295 |
| Environmental and related services | | 13,788 | (5,610) | 8,178 | 13,742 | (5,430) | 8,312 |
| Planning Services | | 8,287 | (3,043) | 5,244 | 8,491 | (2,307) | 6,184 |
| Highways and transport services | | 6,894 | (8,965) | (2,071) | 5,409 | (8,768) | (3,359) |
| Housing Revenue Account | 3 | 17,381 | (38,162) | (20,781) | 29,088 | (36,642) | (7,554) |
| Other housing services | | 43,586 | (39,192) | 4,394 | 42,448 | (37,467) | 4,981 |
| Corporate and democratic core | | 2,818 | 0 | 2,818 | 2,924 | 0 | 2,924 |
| Non distributed costs | | 112 | 0 | 112 | (130) | 0 | (130) |
| | | | | | | | |
| Cost of Services | | 110,320 | (100,668) | 9,652 | 124,587 | (102,344) | 22,243 |
| | | | | | | | |
| Other operating expenditure | 6 | 1,178 | (1,485) | (307) | 925 | (589) | 336 |
| Financing and investment income and expenditure | 7 | 12,503 | (12,331) | (14) | 12,801 | (11,010) | 1,791 |
| Taxation and non-specific grant income | 3/8 | 0 | (29,117) | (29,117) | 0 | (19,191) | (19,191) |
| (Surplus) / deficit on provision of services | 9 | 124,001 | (143,601) | (19,600) | 138,313 | (133,134) | 5,179 |
| (Surplus) / deficit on revaluation of Property, Plant and Equipment assets | 3/35 | | | (25,490) | | | (7,051) |
| Remeasurements of the net defined pension liability | 39 | | | (3,003) | | | 10,104 |
| Other comprehensive (income) / expenditure | | | | (28,493) | | | 3,053 |
| Total comprehensive (income) / expenditure | | | | (48,093) | | | 8,232 |

Main Financial Statements

Balance Sheet

The Balance Sheet shows the value at the stated date of the Council's assets and liabilities. The net assets are matched by reserves. Reserves are reported in two categories. The first category 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 (e.g 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 reserves that hold unrealised gains and losses (e.g 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 2014 | 31 March 2013 (as restated – Note 43) | 1 April 2012 (as restated – Note 43) |
|------------------------------------|-------|------------------|---|--|
| Property, Plant and Equipment | 16 | 643,773 | 613,872 | 618,547 |
| Heritage Assets | 19 | 430 | 430 | 430 |
| Investment Property | 22 | 118,529 | 114,476 | 111,373 |
| Intangible Assets | 23 | 506 | 472 | 538 |
| Assets Held for Sale | 27 | 0 | 3,354 | 0 |
| Long Term Investments | 25 | 6,128 | 1,734 | 2,190 |
| Long Term Debtors | 26 | 1,029 | 1,108 | 1,111 |
| Long Term Assets | | 770,395 | 735,446 | 734,189 |
| Short Term Investments | 25 | 70,069 | 59,093 | 57,606 |
| Assets Held for Sale | 27 | 4,492 | 841 | 0 |
| Inventories | | 274 | 274 | 239 |
| Short Term Debtors | 28 | 17,195 | 8,076 | 8,079 |
| Cash and Cash Equivalents | 29 | 6,573 | 7,734 | 4,781 |
| Current Assets | | 98,603 | 76,018 | 70,705 |
| Short Term Creditors | 30 | (11,682) | (10,900) | (12,434) |
| Receipts in Advance | 31 | (6,314) | (3,992) | (3,398) |
| Provisions | 32 | (3,543) | (364) | (315) |
| Current Liabilities | | (21,539) | (15,256) | (16,147) |
| Long Term Borrowing | 37 | (213,654) | (213,654) | (213,654) |
| Other Long Term Liabilities | 39 | (95,201) | (92,967) | (78,945) |
| Capital Grants Receipts in Advance | 33 | (5,321) | (4,397) | (2,726) |
| Long Term Liabilities | | (314,176) | (311,018) | (295,325) |
| Net Assets | | 533,283 | 485,190 | 493,422 |
| Usable Reserves | 34 | (79,733) | (60,065) | (55,462) |
| Unusable Reserves | 35 | (453,550) | (425,125) | (437,960) |
| Total Reserves | | (533,283) | (485,190) | (493,422) |

These financial statements replace the unaudited statements authorised for issue on 25 June 2014

Caroline Ryba, Head of Finance

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 | 2013/14 | 2012/13 |
|---|-----------|----------------|--------------|
| Cash flows from operating activities | | | |
| Cash receipts | | 151,711 | 108,879 |
| Cash payments | | (129,808) | (93,718) |
| | | | |
| Net cash flows from operating activities | 40 | 21,903 | 15,161 |
| | | | |
| Net cash flows from investing activities | 41 | (24,883) | (8,991) |
| | | | |
| Net cash flows from financing activities | 42 | 1,819 | (3,217) |
| | | | |
| Net (decrease) / increase in cash and cash equivalents | | (1,161) | 2,953 |
| | | | |
| Cash and cash equivalents at the beginning of the year | 29 | 7,734 | 4,781 |
| | | | |
| Cash and cash equivalents at the end of the year | 29 | 6,573 | 7,734 |

NOTES TO THE MAIN FINANCIAL STATEMENTS

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Notes to the Main Financial Statements

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 91 to 106, 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 significantly reduce levels of service provision.

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

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

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The net pension liability at 31 March 2014 is estimated to be £95.2 million and the estimated effects on the liability of changes in individual assumptions is disclosed in Note 39.

Property, Plant and Equipment

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

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall. It is estimated that the annual depreciation charge for assets would increase by approximately £800,000 for every year that useful lives had to be reduced.

Business Rates

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. The Council's General Fund share of business rates income is 40%.

Notes to the Main Financial Statements

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2014 following successful rating valuation appeals. The Council's share of this provision is £3.2 million as disclosed in Note 32. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made on historical experience.

3 Material Items of Income and Expenditure

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

A capital grant of £7.8 million in respect of the Green Deal has been included in taxation and non-specific grant income. This grant is to facilitate energy efficiency improvements in Cambridgeshire on an area by area basis, targeting the areas that most need support, include hard to treat properties and low income and fuel poor households. The grant will be spent during 2014/15.

The Council's share of non-domestic rates income totalling £33.9 million and the tariff of £32.3 million payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

A net credit for reversal of previous revaluation losses of £6.8 million on council housing stock has been credited to expenditure within the HRA net cost of service line. The comparative figure for 2012/13 includes a net debit of £4.0 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 surplus on revaluation of Property, Plant and Equipment includes a net £7.8 million gain (£8.5 million in 2012/13) in respect of the Council's housing stock. It also includes a £11.3 million gain in respect of the Grand Arcade car park.

Notes to the Main Financial Statements

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

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

Financial year 2013/14

| (£000s) | Usable Reserves | | | | | Unusable Reserves |
|---|----------------------|---------------------------------|--------------------------|-----------------------|--------------------------|-------------------|
| | General Fund Balance | Housing Revenue Account Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| Adjustments primarily involving the Capital Grants Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | |
| Charges for depreciation and impairment of non-current assets | (4,658) | 0 | 0 | 0 | 0 | 4,658 |
| Net revaluation (losses)/gains on property, plant and equipment | (1,717) | 6,734 | 0 | 0 | 0 | (5,017) |
| Net revaluation (losses)/gains on assets held for sale | (152) | 17 | 0 | 0 | 0 | 135 |
| Movements in the market value of investment properties | 3,090 | 756 | 0 | 0 | 0 | (3,846) |
| Amortisation of intangible assets | (114) | 0 | 0 | 0 | 0 | 114 |
| Revenue expenditure funded from capital under statute and de minimis capital expenditure | (1,786) | (404) | 0 | 0 | 0 | 2,190 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal | (230) | (7,127) | 0 | 0 | 0 | 7,357 |
| 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 | (23) | 0 | 0 | 0 | 0 | 23 |
| Capital expenditure charged against General Fund and HRA balances | 2,569 | 6,406 | 0 | 0 | 0 | (8,975) |

Notes to the Main Financial Statements

| (£000s) | Usable Reserves | | | | | Unusable Reserves |
|--|----------------------|---------------------------------|--------------------------|-----------------------|--------------------------|-------------------|
| | General Fund Balance | Housing Revenue Account Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 10,829 | 549 | 0 | 0 | (11,378) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 4,475 | (4,475) |
| 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 | 147 | 8,648 | (8,795) | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 3,414 | 0 | 0 | (3,414) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (1,044) | 0 | 1,044 | 0 | 0 | 0 |
| Transfer to capital receipts reserve on receipt of loan payment | 0 | 0 | (31) | 0 | 0 | 31 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | (15) | 0 | 0 | 15 |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| HRA depreciation | 0 | 0 | 0 | (10,619) | 0 | 10,619 |
| Reversal of Major Repairs Allowance credited to the HRA | 0 | (2,941) | 0 | 2,941 | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 7,870 | 0 | (7,870) |

Notes to the Main Financial Statements

| (£000s) | Usable Reserves | | | | | Unusable Reserves |
|--|----------------------|---------------------------------|--------------------------|-----------------------|--------------------------|-------------------|
| | General Fund Balance | Housing Revenue Account Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (41) | 0 | 0 | 0 | 0 | 41 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (9,167) | (1,018) | 0 | 0 | 0 | 10,185 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 4,090 | 858 | 0 | 0 | 0 | (4,948) |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements | (3,238) | 0 | 0 | 0 | 0 | 3,238 |
| 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 | (6) | (1) | 0 | 0 | 0 | 7 |
| 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 | (1,457) | 12,483 | (4,383) | 192 | (6,903) | 68 |

Notes to the Main Financial Statements

Financial year 2012/13 (as restated – see Note 43)

| (£000s) | Usable Reserves | | | | | Unusable Reserves |
|---|----------------------|---------------------------------|--------------------------|-----------------------|--------------------------|-------------------|
| | General Fund Balance | Housing Revenue Account Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| Adjustments primarily involving the Capital Grants Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | |
| Charges for depreciation and impairment of non-current assets | (4,456) | 0 | 0 | 0 | 0 | 4,456 |
| Net revaluation losses on property, plant and equipment | 119 | (4,020) | 0 | 0 | 0 | 3,901 |
| Movements in the market value of investment properties | 2,308 | 15 | 0 | 0 | 0 | (2,323) |
| Impairment losses on assets held for sale | 0 | (17) | 0 | 0 | 0 | 17 |
| Amortisation of intangible assets | (146) | 0 | 0 | 0 | 0 | 146 |
| Revenue expenditure funded from capital under statute and de minimis capital expenditure | (2,252) | (116) | 0 | 0 | 0 | 2,368 |
| HRA Self-financing settlement payment funded from capital under statute | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal | (214) | (3,694) | 0 | 0 | 0 | 3,908 |
| Private sector housing loans adjustment | 7 | 0 | 0 | 0 | 0 | (7) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | |
| Private sector housing loan repayments – original loan less than £10,000 | (26) | 0 | 0 | 0 | 0 | 26 |
| Capital expenditure charged against General Fund and HRA balances | 2,688 | 7,447 | 0 | 0 | 0 | (10,135) |

Notes to the Main Financial Statements

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

Notes to the Main Financial Statements

| (£000s) | Usable Reserves | | | | | Unusable Reserves |
|---|----------------------|---------------------------------|--------------------------|-----------------------|--------------------------|-------------------|
| | General Fund Balance | Housing Revenue Account Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 11 | 301 | 0 | 0 | 0 | (312) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (7,984) | (766) | 0 | 0 | 0 | 8,750 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 4,045 | 787 | 0 | 0 | 0 | (4,832) |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 1 | 0 | 0 | 0 | 0 | (1) |
| Adjustments primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 67 | 0 | 0 | 0 | 0 | (67) |
| Adjustments primarily involving the Housing Revenue Account: | | | | | | |
| Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation | (10) | 10 | 0 | 0 | 0 | 0 |
| Total adjustments | (5,611) | 1,453 | (2,790) | (3,940) | 1,106 | 9,782 |

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 2013/14.

| (£000s) | 2012/13 | | | | 2013/14 | | Balance at 31 March 2014 |
|--|-------------------------|----------------|---------------|--------------------------|----------------|---------------|--------------------------|
| | Balance at 1 April 2012 | Transfers In | Transfers Out | Balance at 31 March 2013 | Transfers In | Transfers Out | |
| General Fund: | | | | | | | |
| Asset Repair and Renewals Reserves | (13,926) | (3,122) | 2,895 | (14,153) | (3,363) | 3,601 | (13,915) |
| Insurance Fund | (863) | (1,155) | 943 | (1,075) | (754) | 663 | (1,166) |
| Technology Investment Fund | (213) | (15) | 87 | (141) | 0 | 8 | (133) |
| Development Plan Reserve | (418) | (150) | 173 | (395) | (317) | 135 | (577) |
| Compulsory Purchase Order Compensation Reserve | (583) | 0 | 0 | (583) | 0 | 361 | (222) |
| Major Planning Appeals Reserve | (23) | (84) | 107 | 0 | (428) | 293 | (135) |
| Revenue Contributions to Capital | (223) | 0 | 45 | (178) | 0 | 42 | (136) |
| Efficiency Fund | (484) | (200) | 194 | (490) | 0 | 117 | (373) |
| Pension Reserve | (164) | (329) | 0 | (493) | (493) | 0 | (986) |
| Climate Change Fund | (396) | (129) | 115 | (410) | (3) | 66 | (347) |
| Keep Cambridge Moving | 0 | 0 | 0 | 0 | (436) | 0 | (436) |
| Business Rates Retention | 0 | 0 | 0 | 0 | (3,405) | 0 | (3,405) |
| Other | (2,413) | (657) | 752 | (2,318) | (454) | 630 | (2,142) |
| Total | (19,706) | (5,841) | 5,311 | (20,236) | (9,653) | 5,916 | (23,973) |
| | | | | | | | |
| Housing Revenue Account: | | | | | | | |
| Asset Repair and Renewal Reserve | (1,988) | (286) | 125 | (2,149) | (338) | 95 | (2,392) |
| Shared Ownership Reserve | (300) | 0 | 0 | (300) | 0 | 0 | (300) |
| Other | (184) | (1,251) | 21 | (1,414) | (231) | 17 | (1,628) |
| Total | (2,472) | (1,537) | 146 | (3,863) | (569) | 112 | (4,320) |

Notes to the Main Financial Statements

6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

| (£000s) | 2013/14 | | 2012/13 | |
|--|----------------|--------------|--------------|-------------|
| | Income | Expenditure | Income | Expenditure |
| Payments to the Government Housing Capital Receipts Pool | 0 | 1,044 | 0 | 908 |
| Impairment losses on assets held for sale | 0 | 134 | 0 | 17 |
| (Gains) / losses on the disposal of non-current assets | (1,485) | 0 | (576) | 0 |
| Other income | 0 | 0 | (13) | 0 |
| | (1,485) | 1,178 | (589) | 925 |

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

| (£000s) | 2013/14 | | 2012/13 | |
|---|-----------------|---------------|-----------------|---------------|
| | Income | Expenditure | Income | Expenditure |
| Interest payable and similar charges | 0 | 7,496 | 0 | 7,496 |
| Impairment of investments | 0 | (343) | 0 | 64 |
| Net interest on the net defined benefit liability | 0 | 4,201 | 0 | 3,791 |
| Gains and losses on trading (note 10) | (35) | 0 | 0 | 28 |
| Interest receivable and similar income | (710) | 0 | (821) | 0 |
| Income and expenditure in relation to investment properties and changes in their fair value | (11,586) | 1,149 | (10,189) | 1,422 |
| | (12,331) | 12,503 | (11,010) | 12,801 |

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

| (£000s) | 2013/14 | 2012/13 |
|---|-----------------|-----------------|
| Council tax income | (6,421) | (6,745) |
| Non domestic rates – distribution from the national pool | 0 | (8,435) |
| Net council share of business rates income | (1,618) | 0 |
| Non-domestic rates retention – safety net payment due from central government | (1,571) | 0 |
| Non-ringfenced government grants | (8,129) | (2,434) |
| Capital grants and contributions | (11,378) | (1,577) |
| | (29,117) | (19,191) |

Notes to the Main Financial Statements

The business rates income retained by the Council under the business rates retention scheme of £1,618,000 comprises the Council's share of income of £33,904,000 less a tariff payment due to central government of £32,286,000.

9 Amounts Reported for Resource Allocation Decisions

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

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

Notes to the Main Financial Statements

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

| (£000s) | 2013/14 | 2012/13 (as restated) |
|---|--------------|--------------------------|
| Net Expenditure for the year as reported to management | | |
| General Fund | | |
| <i>Community Services Scrutiny Committee</i> | | |
| Community Wellbeing | 7,469 | 7,961 |
| Housing | 3,479 | 2,746 |
| <i>Environment Scrutiny Committee</i> | | |
| Public Places | 2,109 | 2,002 |
| Planning & Climate Change | 1,231 | 1,610 |
| Environmental & Waste Services | 7,880 | 7,736 |
| <i>Strategy & Resources Scrutiny Committee</i> | | |
| Customer Services and Resources | (6,244) | (5,409) |
| Strategy | 3,242 | 3,389 |
| Housing Revenue Account | | |
| Housing Management Board | (15,074) | (12,464) |
| | 4,092 | 7,571 |
| Amounts in the Comprehensive Income & Expenditure Statement not reported to management | 1,083 | 9,844 |
| Amounts reported to management not included in the Comprehensive Income and Expenditure Statement | 4,477 | 4,828 |
| Cost of Services in the Comprehensive Income and Expenditure Statement | 9,652 | 22,243 |

The 2012/13 comparative figures have been restated to reflect the portfolios in operation during 2013/14.

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 2013/14

| (£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 | (74,090) | 0 | 0 | 0 | 12,897 | (61,193) |
| Interest and investment income | (580) | (113) | 0 | (3,863) | (7,740) | (12,296) |
| Income from council tax | 0 | (6,254) | 0 | (167) | 0 | (6,421) |
| Income from non-domestic rates | 0 | (6,396) | 0 | 3,207 | 0 | (3,189) |
| Gain on disposal of assets and other capital receipts | 0 | 0 | 0 | (1,485) | 0 | (1,485) |
| Government grants, donations and contributions | (39,509) | (8,130) | 0 | (11,378) | 0 | (59,017) |
| Total Income | (114,179) | (20,893) | 0 | (13,686) | 5,157 | (143,601) |
| Employee expenses | 22,682 | 0 | 0 | 1,043 | 13,999 | 37,724 |
| Other service expenses | 66,282 | 0 | (2,965) | 3,848 | (3,795) | 63,370 |
| Recharges | 16,404 | 0 | 0 | 0 | (16,404) | 0 |
| Depreciation, amortisation and impairment | 12,901 | 0 | (84) | (3,880) | 1,572 | 10,509 |
| Interest payments | 2 | 7,494 | 0 | 4,387 | (529) | 11,354 |
| Payments to Housing Receipts Pool | 0 | 0 | 0 | 1,044 | 0 | 1,044 |
| Total Expenditure | 118,271 | 7,494 | (3,049) | 6,442 | (5,157) | 124,001 |
| (Surplus) / Deficit on the provision of services | 4,092 | (13,399) | (3,049) | (7,244) | 0 | (19,600) |

Notes to the Main Financial Statements

Financial year 2012/13 (as restated – see Note 43)

| (£000s) | Portfolio Analysis | Amounts reported to management below portfolio analysis | Amounts reported to management which do not form part of CIES | Amounts not reported to management for decision making | Allocation of recharges | Total |
|---|--------------------|---|---|--|-------------------------|------------------|
| Fees, charges and other service income | (70,326) | 0 | 0 | 0 | 12,455 | (57,871) |
| Interest and investment income | (699) | (101) | 0 | (2,342) | (7,868) | (11,010) |
| Income from council tax | 0 | (6,744) | 0 | (1) | 0 | (6,745) |
| Gain on disposal of assets and other capital receipts | 0 | 0 | 0 | (589) | 0 | (589) |
| Government grants, donations and contributions | (45,047) | (10,418) | 123 | (1,577) | 0 | (56,919) |
| Total Income | (116,072) | (17,263) | 123 | (4,509) | 4,587 | (133,134) |
| Employee expenses | 21,632 | 0 | 0 | 61 | 13,446 | 35,139 |
| Other service expenses | 72,998 | 0 | (2,033) | 4,220 | (3,413) | 71,772 |
| Recharges | 15,606 | 0 | 0 | 0 | (15,606) | 0 |
| Depreciation, amortisation and impairment | 13,405 | 10 | (176) | 4,982 | 922 | 19,143 |
| Interest payments | 2 | 7,494 | 0 | 3,791 | 64 | 11,351 |
| Payments to Housing Receipts Pool | 0 | 0 | 0 | 908 | 0 | 908 |
| Total Expenditure | 123,643 | 7,504 | (2,209) | 13,962 | (4,587) | 138,313 |
| (Surplus) / Deficit on the provision of services | 7,571 | (9,759) | (2,086) | 9,453 | 0 | 5,179 |

10 Trading Operations

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

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

| (£000s) | 2013/14 | 2012/13 |
|--|-------------|-----------|
| Ditchburn Place Extra Care Contract | | |
| Income | (638) | (622) |
| Expenditure | 603 | 650 |
| Deficit/(Surplus) | (35) | 28 |

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

Notes to the Main Financial Statements

Included within Planning services in the Comprehensive Income and Expenditure Statement

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

| (£000s) | 2013/14 | 2012/13 |
|----------------|--------------|--------------|
| Income | (776) | (741) |
| Expenditure | 422 | 405 |
| Surplus | (354) | (336) |

11 Agency Services

Agency Services provided on behalf of Cambridgeshire County Council were:

| (£000s) | 2013/14 | 2012/13 |
|--|---------|---------|
| Highways Functions and Services | | |
| Total costs | 145 | 144 |
| Costs reimbursed by the County Council | 145 | 144 |

Box Office Services

The Council operates a box office for private promoters for performances and events held at the Corn Exchange. Gross income collected and paid over to promoters was £3,186,000 in 2013/14 (£3,156,000 in 2012/13.)

Notes to the Main Financial Statements

12 Members' Allowances

The total allowances paid to members during the financial year 2013/14 were £240,236 (£245,487 in 2012/13) as analysed below. Details of payments to individual members are published annually in a local newspaper.

| (£) | 2013/14 | 2012/13 |
|----------------------------------|----------------|----------------|
| Basic allowance payments | 115,683 | 116,842 |
| Special responsibility payments | 121,488 | 126,175 |
| Childcare allowance | 345 | 192 |
| Travel and subsistence payments: | | |
| Subsistence | 170 | 17 |
| Travel claims | 543 | 796 |
| Travel warrants | 503 | 225 |
| Taxi fares | 177 | 221 |
| Mileage claims | 1,327 | 1,019 |
| | 240,236 | 245,487 |

Additional civic responsibility payments were made to the Mayor and Deputy Mayor outside of the Members Allowances Scheme. These totalled £5,700 (£5,570 in 2012/13).

13 Related Party Transactions

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (for example, Housing Benefits). Details of government grants received are set out in Note 33.

Members of the Council have direct control over the Council's financial and operating policies. During 2013/14 the Council gave grants totalling £232,091 (£245,949 in 2012/13) to voluntary organisations in which 8 (11 in 2012/13) members had an interest. None of these grants were unpaid at 31 March 2014 or at the end of the comparative period.

The relevant members did not take part in any discussion or decision relating to the grants. In addition one of these organisations has a long term loan from the Council as disclosed in Note 26 to the accounts.

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

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:

| | 2013/14 | 2012/13 |
|----------------------|-----------|-----------|
| £50,000 to £54,999 | 1 | 3 |
| £55,000 to £59,999 | 4 | 1 |
| £60,000 to £64,999 | 5 | 9 |
| £65,000 to £69,999 | 6 | 2 |
| £70,000 to £74,999 | 3 | 4 |
| £85,000 to £89,999 | 1 | 1 |
| £90,000 to £94,999 | 1 | 2 |
| £115,000 to £119,999 | 1 | 1 |
| £135,000 to £139,999 | 1 | 0 |
| Total | 23 | 23 |

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 2013/14

| (£) Position / Name | Note | Salary | Allowances & Benefits in Kind | Redundancy | Pension Contribution | Total |
|--|------|---------|-------------------------------------|------------|-------------------------|---------|
| Chief Executive (A Jackson) | | 117,859 | 0 | 0 | 21,922 | 139,781 |
| Director of Resources (D Horspool) | 1 | 91,891 | 10 | 44,939 | 17,092 | 153,932 |
| Director of Environment (S Payne) | | 88,646 | 0 | 0 | 16,488 | 105,134 |
| Director of Customer & Community Services (L Bisset) | | 91,891 | 0 | 0 | 17,092 | 108,983 |
| Director of Business Transformation (R Ward) | 2 | 20,970 | 0 | 0 | 3,900 | 24,870 |
| Head of Corporate Strategy (A Limb) | | 65,951 | 0 | 0 | 12,267 | 78,218 |

Notes:

- 1 The Director of Resources left the Council on 31 March 2014.
- 2 The Director of Business Transformation joined the Council on 6 January 2014.

Notes to the Main Financial Statements

Between February and July 2014 the Section 151 (Chief Financial Officer) role was undertaken by Alex Colyer, the Executive Director, Corporate Services and Chief Finance Officer of South Cambridgeshire District Council. The Council paid South Cambridgeshire £1,914 for this service during 2013/14.

Financial year 2012/13

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

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) | |
|---|---|-----------|--------------------------------------|----------|--|-----------|---|------------|
| | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 |
| £0 - £20,000 | 17 | 10 | 1 | 0 | 18 | 10 | 70 | 117 |
| £20,001 - £40,000 | 3 | 4 | 0 | 1 | 3 | 5 | 72 | 124 |
| £40,001 - £60,000 | 2 | 3 | 0 | 0 | 2 | 3 | 102 | 136 |
| £60,001 - £80,000 | 1 | 0 | 0 | 0 | 1 | 0 | 64 | 0 |
| Total | 23 | 17 | 1 | 1 | 24 | 18 | 308 | 378 |

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

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

Notes to the Main Financial Statements

15 Audit Costs

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

| (£000s) | 2013/14 | 2012/13 |
|--|-----------|------------|
| Fees payable to the appointed external auditor in respect of: | | |
| External audit services | 68 | 86 |
| Certification of grant claims and returns | 11 | 21 |
| Fees payable in respect of other services | 0 | 21 |
| | 79 | 128 |

Notes to the Main Financial Statements

16 Property, Plant and Equipment

Financial year 2013/14

| (£000s) | Council Dwellings | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets under Construction | Total Property, Plant & Equipment |
|--|-------------------|------------------------|--|-----------------------|------------------|----------------|---------------------------|-----------------------------------|
| Cost or Valuation | | | | | | | | |
| At 1 April 2013 | 486,503 | 116,418 | 15,059 | 2,042 | 1,077 | 4,216 | 2,288 | 627,603 |
| Opening adjustment between cost and accumulated depreciation | 0 | 164 | 0 | 0 | (25) | 0 | 0 | 139 |
| Additions | 12,471 | 987 | 2,422 | 547 | 52 | 1,444 | 4,306 | 22,229 |
| Revaluation increases/(decreases) recognised in the revaluation reserve | (2,477) | 13,024 | 0 | 0 | 0 | 0 | 0 | 10,547 |
| Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services | 6,759 | (1,742) | 0 | 0 | 0 | 0 | 0 | 5,017 |
| Derecognition – disposals | (4,133) | 0 | 0 | 0 | 0 | 0 | 0 | (4,133) |
| Derecognition – other | (627) | (85) | 0 | 0 | 0 | (1,166) | (16) | (1,894) |
| Assets reclassified (to) / from intangible assets | 0 | 0 | 0 | 0 | 0 | 0 | (38) | (38) |
| Assets reclassified (to) / from held for sale | 0 | (495) | (312) | 0 | 0 | (1,134) | 0 | (1,941) |
| Assets reclassified (to) / from other categories of property, plant and equipment | (724) | (1,099) | 90 | 0 | 18 | 1,870 | (175) | (20) |
| At 31 March 2014 | 497,772 | 127,172 | 17,259 | 2,589 | 1,122 | 5,230 | 6,365 | 657,509 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2013 | 0 | (5,736) | (7,579) | (323) | (25) | (68) | 0 | (13,731) |
| Opening adjustment between cost and accumulated depreciation | 0 | (164) | 0 | 0 | 25 | 0 | 0 | (139) |
| Depreciation charge | (10,382) | (3,140) | (1,615) | (55) | 0 | (85) | 0 | (15,277) |
| Depreciation written out to the Revaluation Reserve | 10,247 | 4,698 | 0 | 0 | 0 | 0 | 0 | 14,945 |
| Derecognition – disposals | 81 | 0 | 0 | 0 | 0 | 0 | 0 | 81 |
| Derecognition – other | 0 | 6 | 0 | 0 | 0 | 54 | 0 | 60 |
| Assets reclassified to / from Held for Sale | 0 | 0 | 292 | 0 | 0 | 12 | 0 | 304 |
| Assets reclassified to / from other categories of property, plant and equipment | 54 | 2 | 0 | 0 | 0 | (35) | 0 | 21 |
| At 31 March 2014 | 0 | (4,334) | (8,902) | (378) | 0 | (122) | 0 | (13,736) |
| Net Book Value | | | | | | | | |
| At 31 March 2014 | 497,772 | 122,838 | 8,357 | 2,211 | 1,122 | 5,108 | 6,365 | 643,773 |
| At 31 March 2013 | 486,503 | 110,682 | 7,480 | 1,719 | 1,052 | 4,148 | 2,288 | 613,872 |

Notes to the Main Financial Statements

Financial year 2012/13 (as restated)

| (£000s) | Council Dwellings | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets under Construction | Total Property, Plant & Equipment |
|--|-------------------|------------------------|--|-----------------------|------------------|----------------|---------------------------|-----------------------------------|
| Cost or Valuation | | | | | | | | |
| At 1 April 2012 | 491,714 | 116,538 | 16,427 | 1,832 | 919 | 0 | 4,320 | 631,750 |
| Fully depreciated assets derecognised | 0 | (130) | (1,700) | 0 | 0 | 0 | 0 | (1,830) |
| Additions | 9,903 | 2,875 | 971 | 112 | 93 | 0 | 1,510 | 15,464 |
| Revaluation increases/(decreases) recognised in the revaluation reserve | (5,993) | 1,097 | 0 | 0 | 0 | 3 | 0 | (4,893) |
| Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services | (3,977) | 110 | 0 | 0 | 0 | (43) | 0 | (3,910) |
| Derecognition – disposals | (3,276) | 0 | 0 | 0 | 0 | 0 | 0 | (3,276) |
| Derecognition – other | (480) | (172) | 0 | 0 | 0 | 0 | (25) | (677) |
| Assets reclassified (to) / from investment properties | 0 | 30 | 0 | 0 | 0 | 0 | (109) | (79) |
| Assets reclassified (to) / from held for sale | 0 | (3,849) | (733) | 0 | 0 | (364) | 0 | (4,946) |
| Assets reclassified (to) / from other categories of property, plant and equipment | (1,388) | (81) | 94 | 98 | 65 | 4,620 | (3,408) | 0 |
| At 31 March 2013 | 486,503 | 116,418 | 15,059 | 2,042 | 1,077 | 4,216 | 2,288 | 627,603 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2012 | 0 | (4,598) | (8,331) | (249) | (25) | 0 | 0 | (13,203) |
| Fully depreciated assets derecognised | 0 | 130 | 1,700 | 0 | 0 | 0 | 0 | 1,830 |
| Depreciation charge | (10,478) | (2,922) | (1,630) | (50) | 0 | 0 | 0 | (15,080) |
| Depreciation written out to the Revaluation Reserve | 10,331 | 1,595 | 0 | 0 | 0 | 18 | 0 | 11,944 |
| Depreciation written out to the Surplus / Deficit on the Provision of Services | 62 | 11 | 0 | 0 | 0 | 0 | 0 | 73 |
| Assets reclassified to / from Held for Sale | 0 | 0 | 705 | 0 | 0 | 0 | 0 | 705 |
| Assets reclassified to / from other categories of property, plant and equipment | 85 | 48 | (23) | (24) | 0 | (86) | 0 | 0 |
| At 31 March 2013 | 0 | (5,736) | (7,579) | (323) | (25) | (68) | 0 | (13,731) |
| Net Book Value | | | | | | | | |
| At 31 March 2013 | 486,503 | 110,682 | 7,480 | 1,719 | 1,052 | 4,148 | 2,288 | 613,872 |
| At 31 March 2012 | 491,714 | 111,940 | 8,096 | 1,583 | 894 | 0 | 4,320 | 618,547 |

Notes to the Main Financial Statements

Additions to assets under construction include £1,722,000 in respect of improvements to the Council's facilities at Parkside and Abbey Pools made and funded by Greenwich Leisure. These improvements have been treated as donated assets. The improved facilities became fully operational in April 2014.

17 Property Plant and Equipment - Revaluations

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

Current year revaluations were carried out externally by:

Mr G Harbord MA MRICS IRRV(Hons) (Wilks Head and Eve)
Ms A Briggs BA (Hons) MRICS (Bidwells LLP)
Ms A Groom MA MRICS (Bidwells LLP)
Ms C Sale BA (Hons) MSc MRICS (Bidwells LLP)

The basis for valuation is set out in the statement of accounting policies on page 101.

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 RICS Valuation – Professional Standards (January 2014) 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, 1999, 2004, 2009 and 2014, or subsequently provided by Cambridge City Council in order to reach their conclusions.

Bidwells did undertake an external visual inspection of the properties valued. The Council provides updated information on each property to Bidwells to supplement the detail they already hold and meetings are held to plan and discuss the valuations. These would highlight any significant changes.

The Council has chosen to depart from the Appraisal and Valuation Standards on the grounds of achieving best value for money in relation to property valuation work.

The following table shows the current carrying value of assets by the date of the most recent valuation:

| (£000s) | Council Dwellings | Other Land and Buildings | Surplus Assets | Total |
|-----------------------------|-------------------|--------------------------|----------------|----------------|
| Valued at fair value as at: | | | | |
| 31 March 2014 | 497,772 | 108,659 | 0 | 606,431 |
| 31 March 2013 | 0 | 3,804 | 3,448 | 7,252 |
| 31 March 2012 | 0 | 4,304 | 1,660 | 5,964 |
| 31 March 2011 | 0 | 3,799 | 0 | 3,799 |
| 31 March 2010 | 0 | 2,272 | 0 | 2,272 |
| Total Valuation | 497,772 | 122,838 | 5,108 | 625,718 |

Notes to the Main Financial Statements

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

18 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. These are placed into four useful-life bandings. Assets built before 1945 are assessed as having a remaining useful life of 28 years, those built between 1945 and 1974 have a remaining useful life of 38 years, those built between 1974 and 2010 have a remaining useful life of 48 years and those built after 2010 have a useful life of 80 years.

The useful lives of other assets are estimated as:

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

19 Heritage Assets

| (£000s) | Civic Regalia |
|---|---------------|
| Carrying value at 1 April 2012, 31 March 2013 and 31 March 2014 | 430 |

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

The Council has assessed that the value at the end of each financial year from 2009 to 2014 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) | 2013/14 | 2012/13 |
|---|----------------|----------------|
| Opening Capital Financing Requirement | 215,604 | 213,852 |
| Capital Expenditure | | |
| Property, Plant and Equipment | 20,507 | 15,464 |
| Investment Properties | 322 | 701 |
| Intangible Assets | 110 | 80 |
| Non-current assets held for sale | 152 | 0 |
| Donated Assets | | |
| Property, Plant and Equipment | 1,722 | 0 |
| Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure | | |
| Revenue Expenditure Funded from Capital | 1,576 | 1,788 |
| De-minimus capital expenditure | 614 | 580 |
| Loans Advanced | | |
| Private Sector Housing Improvement Loans | 33 | 38 |
| Sources of finance | | |
| Capital receipts | (3,414) | (779) |
| Government grants and other contributions | (4,475) | (2,561) |
| Revenue and reserves | (16,845) | (13,559) |
| Closing capital financing requirement | 215,906 | 215,604 |

Notes to the Main Financial Statements

21 Capital Commitments

At 31 March 2014, the Council was contractually committed to capital work valued at approximately £8.7 million, as shown in the following table. Capital expenditure under these contracts will be incurred in 2014/15, apart from £1.3 million which it is estimated will be spent in 2015/16 and later years.

| (£000s) | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| Property, Plant and Equipment | | |
| Clay Farm Community Centre | 213 | 290 |
| Mercury abatement | 0 | 31 |
| Vehicle asset replacements | 87 | 25 |
| Grand Arcade Car Park control room | 0 | 1 |
| Development land on Kings Hedges Road | 42 | 252 |
| Arbury Community Centre | 0 | 80 |
| Grand Arcade Annex Car Park – Drainage Gulleys | 0 | 52 |
| Refurbishment of Newmarket Road Cemetery Buildings | 0 | 56 |
| Roman Court | 633 | 1,236 |
| HRA New Build Properties | 4,245 | 0 |
| Logan's Meadow nature reserve extension | 79 | 0 |
| Box Office ticketing system | 58 | 0 |
| Water play areas | 351 | 0 |
| Other works – less than £50,000 per contract | 108 | 220 |
| Investment Properties | | |
| Lion Yard contribution to works | 14 | 124 |
| Kettle's Yard | 40 | 0 |
| Assets Held For Sale | | |
| Land at Clay Farm | 2,522 | 2,800 |
| Revenue Expenditure Funded from Capital Under Statute | | |
| Assessment Centre | 0 | 241 |
| Grants for Private Sector energy efficiency improvements | 0 | 18 |
| Community Development Grants Programme | 260 | 225 |
| | 8,652 | 5,651 |

Notes to the Main Financial Statements

22 Investment Properties

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

| (£000s) | 2013/14 | 2012/13 |
|--|----------------|----------------|
| Rental income from investment property | (7,740) | (7,866) |
| Direct operating expenses arising from investment property | 503 | 703 |
| Net gain | (7,237) | (7,163) |

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) | 2013/14 | 2012/13 |
|---|----------------|----------------|
| Balance at start of the year | 114,476 | 111,373 |
| <i>Additions:</i> | | |
| Subsequent expenditure | 322 | 701 |
| Net gains / (losses) from fair value adjustments | 3,846 | 2,323 |
| Disposals | (115) | 0 |
| <i>Transfers:</i> | | |
| (To) / from Property, Plant and Equipment | 0 | (30) |
| Transfers from assets in the course of construction | 0 | 109 |
| Balance at the end of the year | 118,529 | 114,476 |

Notes to the Main Financial Statements

23 Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £114,000 charged to revenue in 2013/14 relates to specialist software and was charged to relevant services in the Comprehensive Income and Expenditure Statement.

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

| (£000s) | 2013/14 Software licences | 2012/13 Software licences |
|--|---------------------------------|---------------------------------|
| Gross Carrying Amount: | | |
| At 1 April | 1,081 | 1,061 |
| Fully amortised assets derecognised | 0 | (60) |
| Transfer from assets in the course of construction | 38 | 0 |
| Purchases | 110 | 80 |
| At 31 March | 1,229 | 1,081 |
| Accumulated Amortisation | | |
| At 1 April | (609) | (523) |
| Fully amortised assets derecognised | 0 | 60 |
| Amortisation for the period | (114) | (146) |
| At 31 March | (723) | (609) |
| Net Book Value | | |
| At 31 March | 506 | 472 |

Specialist software was purchased in 2013/14 relating to the Council's customer service centre operations and box office ticketing. The costs will be amortised over the expected life of the software.

Notes to the Main Financial Statements

24 Leases

Council as Lessee

Finance Leases

The carrying value of investment properties held under finance leases was £1,660,000 at 31 March 2014 (£1,645,000 at 31 March 2013). Secondary lease payments of £2,247 in each of 2012/13 and 2013/14 were accounted for as finance costs. This annual charge will continue until 2035.

These relate to industrial units held under finance leases which are then leased out under operating leases and the total minimum lease payments are £80,632 at 31 March 2014 (£74,824 at 31 March 2013).

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 £23,957,500 at 31 March 2014 (£16,619,767 at 31 March 2013).

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 2014 | 31 March 2013 |
|---|---------------|---------------|
| Not later than one year | 388 | 479 |
| Later than one year and not later than five years | 283 | 569 |
| Later than five years | 50 | 116 |
| | 721 | 1,164 |

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

| (£000s) | 2013/14 | 2012/13 |
|-------------------------------|------------|------------|
| Minimum lease payments | 493 | 440 |

Council as Lessor

Operating Leases

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

Notes to the Main Financial Statements

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

| (£000s) | 31 March 2014 | 31 March 2013 |
|---|----------------|----------------|
| Not later than one year | 4,192 | 4,305 |
| Later than one year and not later than five years | 11,835 | 12,311 |
| Later than five years | 99,104 | 102,039 |
| | 115,131 | 118,655 |

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2013/14 £2,085,334 of contingent rents were receivable by the Council (2012/13 £2,251,756).

25 Short-Term and Long-Term Investments

| (£000s) | 2013/14 | | 2012/13 | |
|--|--------------|---------------|--------------|---------------|
| | Long Term | Short Term | Long Term | Short Term |
| Investments in Icelandic banks and their UK subsidiaries | 1,128 | 951 | 1,734 | 794 |
| Other investments | 5,000 | 69,118 | 0 | 58,299 |
| | 6,128 | 70,069 | 1,734 | 59,093 |

Investments in Icelandic Banks and their UK Subsidiaries

Investments included in current assets and long-term assets in the Balance Sheet at 31 March 2014 include the following investments, the values of which have been impaired because of the financial difficulties experienced by Icelandic banks and their subsidiaries.

In October 2008, a number of Icelandic Banks and their UK subsidiaries went into administration.

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

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

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

Notes to the Main Financial Statements

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

Based on the latest information available, the Council considers that it is appropriate to make an impairment adjustment for the deposits based on the information outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

The reversal of impairment losses recognised in the Income and Expenditure Account in 2013/14 of £343,000 (2012/13 impairment losses of £66,000) 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) | 2013/14 | | 2012/13 | |
|--|--------------------|--------|--------------------|--------|
| | Heritable Bank Plc | LBI hf | Heritable Bank Plc | LBI hf |
| Balance sheet carrying value | | | | |
| Long term investments | 0 | 1,128 | 0 | 1,734 |
| Short term investments | 101 | 850 | 421 | 373 |
| Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account | (343) | 0 | 15 | 51 |
| Cash received | 682 | 260 | 381 | 941 |

The deposits in Heritable were originally impaired by £1,244,000 and in LBI by £1,390,000 in 2008/09. In 2009/10 there was an additional impairment of £408,000 in respect of LBI and a reversal of the Heritable impairment of £212,000. In 2010/11 there was a further impairment of £42,000 in respect of LBI. In 2012/13 there was a further £15,000 impairment in respect of Heritable and £51,000 in respect of LBI.

Heritable Bank Plc

Heritable Bank Plc is a UK registered bank operating under Scottish law. The company was placed in administration on 7 October 2008. The cumulative expected recovery reflected in the 2012/13 accounts was 88%. During 2013/14 the council received a further dividend bringing the overall recovery to just over 94%. The administrators have not given any firm indication as to the likelihood of any further dividends but given the information available to it, the Council has assumed an overall recovery of 96.5%. Recoveries are expressed as a percentage of the Council's claim, which includes interest accrued up to 6 October 2008.

Notes to the Main Financial Statements

LBI hf

Following steps taken by the Icelandic Government in early October 2008 the then Landsbanki's domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki (now renamed LBI) being placed in the hands of a resolution committee. The Council is a priority creditor.

Distributions are being made in a basket of currencies and to date, in sterling terms, the distributions total approximately 54% of the Council's claim.

The future pattern of distributions by the Winding Up Board is not known, but based on available information the Board currently expects there to be sufficient funds to repay 100% of priority creditor claims. The Council has assumed that the remaining recoveries take place over the period until December 2018.

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

| (£000s) | 2013/14 | 2012/13 |
|--------------------|---------|---------|
| Heritable Bank Plc | 19 | 29 |
| LBI hf | 133 | 152 |

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 2014 | 31 March 2013 | 1 April 2012 |
|--|---------------|---------------|--------------|
| Mortgages | 1 | 3 | 8 |
| Grand Arcade reverse lease premium | 211 | 217 | 223 |
| Private sector housing improvement loans | 769 | 832 | 812 |
| Sale of land at Kings Hedges | 30 | 30 | 30 |
| Long term loan – Kelsey Kerridge Sports Centre | 11 | 26 | 38 |
| Mortgage Repossessions Loans | 7 | 0 | 0 |
| | 1,029 | 1,108 | 1,111 |

Notes to the Main Financial Statements

27 Assets Held for Sale

| (£000s) | Current | | Long Term | |
|--|--------------|------------|--------------|--------------|
| | 2013/14 | 2012/13 | 2013/14 | 2012/13 |
| Balance at 1 April | 841 | 0 | 3,354 | 0 |
| Assets newly classified as held for sale: | | | | |
| Property, plant & equipment | 1,635 | 869 | 0 | 3,371 |
| Transfers between current and long term assets held for sale | 3,354 | 0 | (3,354) | 0 |
| Assets sold | (1,355) | (28) | 0 | 0 |
| Enhancement expenditure | 152 | 0 | 0 | 0 |
| Impairment losses | (135) | 0 | 0 | (17) |
| Balance at 31 March | 4,492 | 841 | 0 | 3,354 |

The net impairment loss recognised in 2013/14 of £135,000 includes an impairment charge of £152,000 in respect of land held at Clay Farm and a reversal of the £17,000 charge initially made in 2012/13 in respect of land at Latimer Close.

28 Debtors

| (£000s) | 31 March 2014 | 31 March 2013 | 1 April 2012 |
|--|---------------|---------------|--------------|
| Central government bodies | 10,638 | 679 | 885 |
| Other local authorities | 490 | 1,721 | 2,004 |
| NHS bodies | 10 | 16 | 28 |
| Public corporations and trading funds | 10 | 0 | 2 |
| Council Tax payers (City share) | 640 | 621 | 622 |
| National Non Domestic Rate Payers (City Share) | 381 | | |
| Council Tax payers (Precepting Bodies Share) | 2,156 | 2,080 | 2,020 |
| Housing tenants and leaseholders | 578 | 465 | 470 |
| Trade and other | 2,292 | 2,494 | 2,048 |
| | 17,195 | 8,076 | 8,079 |

Notes to the Main Financial Statements

29 Cash and Cash Equivalents

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

| (£000s) | 31 March 2014 | 31 March 2013 | 1 April 2012 |
|--------------------------|---------------|---------------|--------------|
| Cash held by the Council | 5 | 5 | 3 |
| Bank current accounts | 458 | 479 | 398 |
| Bank deposits accounts | 6,110 | 7,250 | 4,380 |
| | 6,573 | 7,734 | 4,781 |

30 Short-Term Creditors

| (£000s) | 31 March 2014 | 31 March 2013 (as restated) | 1 April 2012 (as restated) |
|---------------------------------------|-----------------|--------------------------------|-------------------------------|
| Central government bodies | (1,931) | (477) | (4,351) |
| Other local authorities | (783) | (527) | (1,112) |
| NHS bodies | 0 | (17) | 0 |
| Public corporations and trading funds | (3) | (22) | (19) |
| Other entities and individuals | (8,965) | (9,857) | (6,952) |
| | (11,682) | (10,900) | (12,434) |

31 Receipts in Advance

| (£000s) | 31 March 2014 | 31 March 2013 (as restated) | 1 April 2012 (as restated) |
|--|----------------|--------------------------------|-------------------------------|
| Cambridge City Council share of Council Tax receipts in advance | (357) | (358) | (365) |
| Cambridge City Council share of non-domestic rates receipts in advance | (597) | 0 | 0 |
| Capital grants receipts in advance | (452) | (1,072) | (677) |
| Housing Tenants and Leaseholders | (1,300) | (640) | (619) |
| Other | (3,608) | (1,922) | (1,737) |
| | (6,314) | (3,992) | (3,398) |

Receipts in advance in respect of housing tenants and leaseholders were previously shown within creditors. The prior year comparatives for 31 March 2013 and 1 April 2012 have been restated for consistency.

Notes to the Main Financial Statements

32 Provisions

Insurance Provision

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 claim up to a total combined loss in any insurance year of £200,000. For motor claims the Council takes responsibility for meeting the first £10,000 of any claim. 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.

Business Rates Appeals Provision

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. The Council's share of business rates income is 40%.

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2014 following successful rating valuation appeals. This estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. The timing of the settlement of these appeals is uncertain as they are outside of the Council's control.

| (£000s) | Insurance Provision | Business Rates Appeals Provision | Other Provisions | Total |
|---------------------------------------|---------------------|----------------------------------|------------------|----------------|
| Balance at 1 April 2013 | (349) | 0 | (15) | (364) |
| Additional provisions made in 2013/14 | (164) | (3,239) | (20) | (3,423) |
| Amounts used in 2013/14 | 111 | 0 | 6 | 117 |
| Unused amounts reversed in 2013/14 | 127 | 0 | 0 | 127 |
| Balance as at 31 March 2014 | (275) | (3,239) | (29) | (3,543) |

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 2013/14:

| (£000s) | 2013/14 | 2012/13 |
|---|-----------------|-----------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Share of National Non-domestic Rates | 0 | (8,435) |
| Revenue Support Grant | (5,639) | (163) |
| Council Tax Freeze Grant | 0 | (171) |
| New Homes Bonus | (2,117) | (1,399) |
| New Burdens and Transitional Grants | (119) | (126) |
| Small Business Rate Relief Grant | (254) | 0 |
| Homelessness Grant | 0 | (575) |
| Donated Assets | (1,722) | 0 |
| Green Deal Capital Grant | (7,758) | 0 |
| Other Capital grants and contributions | (1,898) | (1,577) |
| | (19,507) | (12,446) |
| Credited to Services | | |
| Council Tax Admin Subsidy | 0 | (214) |
| Council Tax Benefits Subsidy | 0 | (6,414) |
| Discretionary Housing Payments | (182) | (65) |
| Rent Allowance and Rent Rebates Admin Subsidy | (622) | (477) |
| Rent Allowance Subsidy | (18,051) | (17,180) |
| Rent Rebates Subsidy | (18,959) | (18,345) |
| Non HRA Rent Rebates Subsidy | (158) | (104) |
| | (37,972) | (42,799) |

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 developer. The balances at the year-end are as follows:

| (£000s) | 31 March 2014 | 31 March 2013 |
|---|----------------|----------------|
| Capital Grants Receipts in Advance | | |
| Due within 12 months | (452) | (1,072) |
| Due in more than 12 months | (5,321) | (4,397) |
| Total | (5,773) | (5,469) |

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 2014 | 31 March 2013 (as restated) | 1 April 2012 |
|--|------------------|--------------------------------|------------------|
| Deferred Capital Receipts | (45) | (60) | (77) |
| Revaluation Reserve | (72,434) | (48,019) | (41,815) |
| Capital Adjustment Account | (480,287) | (470,742) | (476,122) |
| Financial Instruments Adjustment Account | 122 | 81 | 393 |
| Pensions Reserve | 95,201 | 92,967 | 78,945 |
| Collection Fund Adjustment Account | 3,395 | 157 | 158 |
| Accumulated Absences Account | 498 | 491 | 558 |
| Total Unusable Reserves | (453,550) | (425,125) | (437,960) |

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) | 2013/14 | 2012/13 |
|---|-------------|-------------|
| Balance at 1 April | (60) | (77) |
| Transfer to the Capital Receipts Reserve upon receipt of cash | 15 | 17 |
| Balance at 31 March | (45) | (60) |

Revaluation Reserve

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

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

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

Notes to the Main Financial Statements

| (£000s) | 2013/14 | 2012/13 (as restated) |
|--|-----------------|-----------------------|
| Balance at 1 April | (48,019) | (41,815) |
| Net (gains) / losses on revaluations during the year | (25,490) | (7,051) |
| Amounts written off to the Capital Adjustment Account | | |
| Amounts to be transferred to capital adjustment account following reconciliation of new asset database | 24 | |
| Difference between fair value depreciation and historical cost depreciation | 955 | 810 |
| Accumulated gains on assets sold or scrapped | 96 | 37 |
| Balance at 31 March | (72,434) | (48,019) |

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) | 2013/14 | 2012/13 (as restated) |
|--|------------------|-----------------------|
| Balance at 1 April | (470,742) | (476,122) |
| Charges for depreciation and impairment of non-current assets | 15,277 | 15,080 |
| Revaluation (gains)/losses on property, plant and equipment | (5,017) | 3,901 |
| Impairment losses on assets held for sale | 135 | 17 |
| Amortisation of intangible assets | 114 | 146 |
| Revenue expenditure funded from capital under statute and de minimus capital spend | 2,190 | 2,368 |
| 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 | 7,261 | 3,871 |
| Amounts to be transferred from revaluation reserve following reconciliation of new asset database | (24) | 0 |
| Depreciation in excess of historic cost transfer from revaluation reserve | (955) | (810) |
| Transfer from revaluation reserve on disposal of non-current assets | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (3,414) | (779) |
| Use of the Major Repairs Reserve to finance new capital expenditure | (7,870) | (3,424) |
| Application of grants and contributions to capital financing | (4,475) | (2,561) |
| Repayment of private sector housing loans | 54 | 36 |
| Private sector housing loans adjustment | 0 | (7) |
| Capital expenditure charged against the General Fund and Housing Revenue Account balances | (8,975) | (10,135) |
| Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement | (3,846) | (2,323) |
| Balance at 31 March | (480,287) | (470,742) |

Financial Instruments Adjustment Account

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

| (£000s) | 2013/14 | 2012/13 |
|--|------------|------------|
| Balance at 1 April | 81 | 393 |
| Amortisation of debt redemption premium | 0 | (301) |
| Movement in fair value of private sector housing improvement loans | 41 | (11) |
| Balance at 31 March | 122 | 81 |

Notes to the Main Financial Statements

Pensions Reserve

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

| (£000s) | 2013/14 | 2012/13 |
|--|---------------|---------------|
| Balance at 1 April | 92,967 | 78,945 |
| Remeasurements of the net defined benefit liability/(asset) | (3,003) | 10,104 |
| 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 | 10,185 | 8,750 |
| Employer's pension contributions and direct payments to pensioners payable in the year | (4,948) | (4,832) |
| Balance at 31 March | 95,201 | 92,967 |

Collection Fund Adjustment Account

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

| (£000s) | 2013/14 | 2012/13 |
|--|--------------|------------|
| Balance at 1 April | 157 | 158 |
| 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 | (167) | (1) |
| Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different to the non-domestic rates income calculated for the year in accordance with statutory requirements | 3,405 | 0 |
| Balance at 31 March | 3,395 | 157 |

Notes to the Main Financial Statements

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) | 2013/14 | | 2012/13 | |
|---|---------|------------|---------|------------|
| Balance at 1 April | | 491 | | 558 |
| Settlement of or cancellation of accrual made at the end of the preceding year | (491) | | (558) | |
| Amounts accrued at the end of the current year | 498 | | 491 | |
| 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 | | 7 | | (67) |
| Balance at 31 March | | 498 | | 491 |

36 Contingent Liabilities and Assets

Contingent Liabilities

Legal Cases

There is an ongoing legal case in respect of a planning issue. A legal challenge by way of judicial review has been made and should legal proceedings find against the Council, it may be liable for some or all of the claimants' costs.

Property Search Fees

A group of Property Search Companies is seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims is at present £95,314 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behavior. It is not clear what the value of any such claim would be against the Council.

During early 2014 a further 4 companies have indicated to the Local Government Association (LGA) that they will be seeking refunds of a currently unspecified amount. All Councils are subject to these claims and are working collectively with the LGA and their appointed solicitors Bevan Brittan LLP.

Contingent Assets

VAT

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

The above case has been appealed again following a judgement in October 2012. No final determination has yet been made as to whether the VAT liability for the provision of off-street car parking by local authorities should be VAT standard rated or classed as 'non-business' (and hence outside the scope of VAT). The Council has submitted, based on the possible final outcome of the case, claims for the repayment of £23.8 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 2014 this claim remained outstanding pending the outcome of a further VAT tribunal. The Upper Tribunal heard the appeal on 10/11 April 2014 and the decision is awaited. 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, 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. However, on 28 March 2014, the High Court handed down a judgment in favour of Littlewoods Retail Limited that EU law requires compound interest to be paid as a remedy for overpayment of VAT. HMRC are expected to appeal.

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 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 |
| Investments | | | | |
| Loans and receivables | 6,128 | 1,734 | 70,069 | 59,093 |
| Debtors | | | | |
| Loans and receivables | 1,029 | 1,109 | 11,668 | 3,478 |
| Creditors & Receipts in Advance | | | | |
| Financial liabilities at amortised cost | (5,321) | (4,397) | (14,981) | (14,294) |
| Long Term Borrowing | (213,654) | (213,654) | 0 | 0 |
| | (211,818) | (215,208) | 66,756 | 48,277 |

Private Sector Housing Improvement Loans

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

| (£000s) | 2013/14 | 2012/13 |
|--|------------|------------|
| Balance sheet (fair) value as at 1 April | 832 | 812 |
| Nominal value of new loans recognised in the year | 33 | 45 |
| Interest – increase in discounted amount | 17 | 20 |
| Loans repaid | (54) | (36) |
| Fair value adjustments | (59) | (9) |
| Balance sheet (fair) value as at 31 March | 769 | 832 |
| | | |
| Loan payments outstanding (nominal value) at 31 March | 892 | 913 |

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) | 2013/14 | | 2012/13 | |
|---|---|--|---|--|
| | Financial Liabilities at amortised cost | Financial Assets – Loans and Receivables | Financial Liabilities at amortised cost | Financial Assets – Loans and Receivables |
| Interest expense | 7,496 | 0 | 7,496 | 0 |
| Reductions in fair value | 0 | 59 | 0 | 9 |
| Reversal of losses on impaired financial assets | 0 | (343) | 0 | 0 |
| Impairment losses | 0 | 173 | 0 | 221 |
| Total expense in Surplus or Deficit on the Provision of Services | 7,496 | (111) | 7,496 | 230 |
| Interest Income | 0 | (558) | 0 | (640) |
| Interest income accrued on impaired financial assets | 0 | (152) | 0 | (181) |
| Total income in Surplus or Deficit on the Provision of Services | 0 | (710) | 0 | (821) |

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 2014 of 3.00% (1.87% at 31 March 2013) has been used to calculate the fair value of private sector housing improvement loans
- ◆ Estimated ranges of interest rates at 31 March 2014 of 3.37% to 3.41% (2.94% to 3.13% at 31 March 2013) for loans from the PWLB based on premature repayment rates at that date
- ◆ No early repayment is recognised
- ◆ Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount
- ◆ The fair value of capital contributions received in advance is taken to be the amount received

Notes to the Main Financial Statements

The fair values are calculated as follows:

| (£000s) | 31 March 2014 | | 31 March 2013 | |
|--|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| Financial Liabilities at amortised cost | | | | |
| Current liabilities | (14,981) | (14,981) | (14,294) | (14,294) |
| Long term liabilities | (5,321) | (5,321) | (4,397) | (4,397) |
| Long term borrowing | (213,654) | (218,515) | (213,654) | (232,650) |
| Loans and receivables: | | | | |
| Long term debtors | 1,029 | 1,029 | 1,109 | 1,109 |
| Current debtors | 11,668 | 11,668 | 3,478 | 3,478 |
| Long term investments | 6,128 | 6,127 | 1,734 | 1,734 |
| Current investments | 70,069 | 70,069 | 59,093 | 59,093 |

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 2013/14 the Council did not make any amendments to its investment strategy. These changes are summarised in the table below:

Notes to the Main Financial Statements

| Counterparty | Limit |
|---|---|
| Single named Institution (Nationalised Banks, Local Authorities & UK Domiciled Banks excluding Santander) | Increased by £5m to £15m |
| UK Nationalised Group Limit | Increased by £7.5m to £22.5m |
| Certificates of Deposit (New) | £10m (Included within single counterparty bank limit) |
| AAA Money Market Funds | £10m total per fund |

The increase in limits and diversification in using other financial instruments was necessary to offset the effects of further decreases in market interest rates without unduly increasing risk.

Credit risk

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

The Council seeks through the operation of its Treasury Management and Investment Strategy to minimise its exposure to risks in relation to investments.

The Council has, in 2013/14, continued with its suspension of lending to overseas financial institutions or their UK subsidiaries. The Council's current policy is to only lend to UK banks, building societies and other local authorities for up to twelve months in duration. This is in line with guidance from our treasury management advisers and in line with the Council's established Treasury Management Investment Strategy.

The Council has also maintained a limit on the total that may be invested within the same company group. The policy of having no limit on the total amount which may be invested in the Government's Debt Management Account deposit Facility (DMADF) continued in 2013/14.

The Council uses the 'creditworthiness service' provided by Capita. 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 Poor's. 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 2014 these were: a maximum of £20 million with HSBC Bank Plc (the Council's bank), £15 million with other approved counterparties and a maximum of 1.5 times this limit may be invested, in total, with counterparties belonging to the same company group. The

Notes to the Main Financial Statements

Council also took advantage of using these limits in depositing funds within bank call accounts. This increased yield levels without prejudicing the Council's risk averse nature.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to its investments at 31 March 2014 and that any residual risk cannot be quantified.

The following shows the original principal sums of investments at 31 March analysed by the nature of financial institution and remaining period to maturity:

| (£000s) | Maturity Band | | | | Total |
|-----------------------|--------------------|----------------------|--------------------|-------------------|---------------|
| | Less than 3 months | 3 months to 6 months | 6 months to 1 year | 1 year to 2 years | |
| 31 March 2014 | | | | | |
| United Kingdom | | | | | |
| Banks | 3,000 | 28,000 | 16,500 | 0 | 47,500 |
| Building Societies | 15,000 | 0 | 0 | 0 | 15,000 |
| Local Authorities | 4,500 | 2,000 | 0 | 5,000 | 11,500 |
| Total | 22,500 | 30,000 | 16,500 | 5,000 | 74,000 |

| (£000s) | Maturity Band | | | | Total |
|-----------------------|--------------------|----------------------|--------------------|-------------------|---------------|
| | Less than 3 months | 3 months to 6 months | 6 months to 1 year | 1 year to 2 years | |
| 31 March 2013 | | | | | |
| United Kingdom | | | | | |
| Banks | 0 | 23,000 | 12,000 | 0 | 35,000 |
| Building Societies | 7,000 | 3,000 | 0 | 0 | 10,000 |
| Local Authorities | 13,200 | 0 | 0 | 0 | 13,200 |
| Total | 20,200 | 26,000 | 12,000 | 0 | 58,200 |

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

Notes to the Main Financial Statements

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 2014 | | 31 March 2013 | |
|----------------------------|---------------|----------------------|---------------|----------------------|
| | Gross Debt | Impairment Allowance | Gross Debt | Impairment Allowance |
| Long term debtors | 1,029 | 0 | 1,109 | 0 |
| Current and former tenants | 1,711 | 1,259 | 1,523 | 1,205 |
| Other debtors | 3,714 | 357 | 3,465 | 306 |
| | 6,454 | 1,616 | 6,097 | 1,511 |

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

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

| (£000s) | 31 March 2014 | 31 March 2013 |
|--------------------------------------|---------------|---------------|
| Balance at 1 April | 1,511 | 2,196 |
| Increase in allowance for impairment | 165 | 100 |
| Balances written off during the year | (60) | (785) |
| Balance at 31 March | 1,616 | 1,511 |

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2014, of the total debtor and deferred debtor balances of £6.2 million (£6.1 million at 31 March 2013), the past due amount was £2.1 million (£2.3 million at 31 March 2013) and can be analysed by age as follows:

| (£000s) | 31 March 2014 | 31 March 2013 |
|----------------------------|---------------|---------------|
| Customer Debts | | |
| Less than three months | 385 | 368 |
| Three to six months | 115 | 446 |
| Six months to one year | 210 | 202 |
| More than one year | 1,361 | 1,286 |
| Balance at 31 March | 2,071 | 2,302 |

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loan Board (PWLb). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

On 28 March 2012 the Council took out a number of fixed rate maturity loans with the PWLB to meet the cost of the HRA self-financing settlement due to central government. These loans had terms of between 26 and 45 years. The HRA business plan confirms the affordability of interest payments and the repayment of these loans on maturity and that the Council may be able to

Notes to the Main Financial Statements

consider earlier redemption if advantageous. However, this will not be considered in the short-term, due to current market conditions.

The maturity analysis of the loans is as follows:

| (£000s) | 31 March 2014 | 31 March 2013 |
|-------------------------|----------------|----------------|
| Between 20 and 25 years | 10,683 | 10,683 |
| Between 25 and 30 years | 53,413 | 53,413 |
| Between 30 and 35 years | 53,413 | 53,413 |
| Between 35 and 40 years | 53,414 | 53,414 |
| Between 40 and 45 years | 42,731 | 42,731 |
| | 213,654 | 213,654 |

Market risk

Interest rate risk

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

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. During 2013/14, if interest rates on the bank deposit accounts had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £341,000 (£178,000 in 2012/13).

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.

Notes to the Main Financial Statements

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 pension liabilities with investment assets.

Transactions relating to post employment benefits

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

Notes to the Main Financial Statements

| (£000s) | Local Government Pension Scheme | |
|---|---------------------------------|--------------------------|
| | 2013/14 | 2012/13 (as restated) |
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services: | | |
| Current service cost | 5,872 | 4,699 |
| Past service costs (including curtailments) | 112 | 260 |
| Financing and Investment Income and Expenditure: | | |
| Net interest cost | 4,201 | 3,791 |
| Total post employment benefit charged to the surplus or deficit on the provision of services | 10,185 | 8,750 |
| Other post employment benefit charged to the comprehensive income and expenditure statement | | |
| Remeasurement of net defined benefit liability comprising: | | |
| Return on plan assets (excluding the amount included in the net interest expense) | (3,806) | (13,163) |
| Changes in demographic assumptions | (4,486) | 0 |
| Changes in financial assumptions | 11,047 | 23,412 |
| Other experience changes | (5,758) | (145) |
| Total post employment benefit charged to the comprehensive income and expenditure statement | 7,182 | 18,854 |
| 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 | (2,234) | (14,022) |
| Employers' contributions payable to the scheme | 4,948 | 4,832 |

Pensions Assets and Liabilities Recognised in the Balance Sheet

| (£000s) | 2013/14 | 2012/13 |
|--|-----------------|-----------------|
| Present value of the defined benefit obligation | (253,978) | (241,392) |
| Fair value of plan assets | 158,777 | 148,425 |
| Net liability arising from defined benefit obligation | (95,201) | (92,967) |

The net liability shows the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £95.2 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.

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) | 2013/14 | 2012/13 (as restated) |
|---|------------------|-----------------------|
| Opening balance at 1 April | (241,392) | (208,232) |
| Current Service Cost | (5,872) | (4,699) |
| Past service cost | (112) | (260) |
| Interest Cost | (10,873) | (9,991) |
| Contributions by scheme participants | (1,559) | (1,501) |
| Benefits paid | 6,303 | 6,235 |
| Estimated unfunded benefits paid | 330 | 323 |
| Remeasurements – changes in financial assumptions | (11,047) | (23,412) |
| Remeasurements – other experience | 5,758 | 145 |
| Remeasurements – changes in demographic assumptions | 4,486 | 0 |
| Closing balance at 31 March | (253,978) | (241,392) |

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

| (£000s) | 2013/14 | 2012/13 (as restated) |
|--|----------------|-----------------------|
| Opening balance at 1 April | 148,425 | 129,287 |
| Interest income on plan assets | 6,672 | 6,200 |
| Contributions by scheme participants | 1,559 | 1,501 |
| Employer Contributions | 4,618 | 4,509 |
| Contributions in respect of unfunded benefits | 330 | 323 |
| Benefits paid | (6,303) | (6,235) |
| Unfunded benefits paid | (330) | (323) |
| Remeasurements – return on assets excluding amount in net interest expense | 3,806 | 13,163 |
| Closing balance at 31 March | 158,777 | 148,425 |

Notes to the Main Financial Statements

Local Government Pension Scheme asset breakdown

| (£000s) | Fair value of scheme assets | |
|--|-----------------------------|----------------|
| | 2013/14 | 2012/13 |
| Cash and cash equivalents | 2,117 | 3,560 |
| Equity instruments: | | |
| Consumer | 13,864 | 13,924 |
| Manufacturing | 13,103 | 11,960 |
| Energy & utilities | 5,627 | 5,138 |
| Financial Institutions | 16,018 | 12,255 |
| Health and care | 4,681 | 4,209 |
| Information technology | 9,495 | 7,512 |
| Other | 441 | 555 |
| Private Equity | 9,445 | 10,205 |
| Investment Funds and Unit Trusts: | | |
| Equities | 51,053 | 51,063 |
| Bonds | 24,202 | 17,577 |
| Other | 8,731 | 10,467 |
| Closing balance at 31 March | 158,777 | 148,425 |

All scheme assets have quoted prices in active markets except for private equities.

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 2013.

Notes to the Main Financial Statements

The principal assumptions used by the actuary have been:

| | Local Government Pension Scheme | |
|--|---------------------------------|---------|
| | 2013/14 | 2012/13 |
| Mortality Assumptions: | | |
| <i>Longevity at 65 for current pensioners</i> | | |
| Men | 22.5 | 21.0 |
| Women | 24.5 | 23.8 |
| <i>Longevity at 65 for future pensioners</i> | | |
| Men | 24.4 | 22.9 |
| Women | 26.9 | 25.7 |
| Rate of inflation | 3.6% | 2.8% |
| Short term rate of increase in salaries | 1.0% | 1.0% |
| Long term rate of increase in salaries | 4.6% | 5.1% |
| Rate of increase in pensions | 2.8% | 2.8% |
| Rate for discounting scheme liabilities | 4.3% | 4.5% |
| 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 estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all other factors remain constant. The assumptions in longevity for example assume that life expectancy increases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Change in assumption at 31 March 2014 | Approximate % increase to Employer Liability | Approximate Monetary amount (£000s) |
|---|--|-------------------------------------|
| 0.5% decrease in the real discount rate | 10% | 25,575 |
| 1 year increase in member life expectancy | 3% | 7,617 |
| 0.5% increase in the salary increase rate | 3% | 8,441 |
| 0.5% increase in the pensions increase rate | 7% | 16,768 |

Notes to the Main Financial Statements

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve an appropriate funding level over the period until 31 March 2017.

The next triennial revaluation is due to be completed as at 31 March 2016.

There are a number of changes to the Local Government Pension Scheme from 1 April 2014 which include the introduction of a new career average revalued earnings scheme to pay pensions.

The Council expects to pay contributions of £4,879,000 in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is:

| | Weighted average duration |
|-------------------|---------------------------|
| Active members | 25.2 |
| Deferred members | 23.2 |
| Pensioner members | 11.6 |
| Total | 19.7 |

The weighted average duration is the weighted average time until the payment of expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. These durations are as they stood at the previous formal valuation as at 31 March 2013.

Notes to the Main Financial Statements

40 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

| (£000s) | 2013/14 | 2012/13 |
|---|---------------|---------------|
| Housing rents | 18,284 | 17,034 |
| Revenue Support Grant | 5,639 | 164 |
| Council share of national non-domestic rates from national pool | 0 | 8,435 |
| Council Share on non-domestic rates income collected | 37,406 | 0 |
| Non domestic rates – tariff payment to central government | (32,286) | 0 |
| New Homes Bonus | 2,117 | 1,777 |
| Housing Benefit subsidies | 36,779 | 35,834 |
| Council share of Council Tax receipts | 6,558 | 6,872 |
| Cash paid to and on behalf of employees | (32,719) | (33,025) |
| Payments to the capital receipts pool | (1,009) | (1,036) |
| Housing Benefit paid | (18,539) | (17,615) |
| Interest received | 521 | 584 |
| Interest paid | (7,496) | (7,496) |
| Other cashflows | 6,648 | 3,633 |
| | 21,903 | 15,161 |

41 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

| (£000s) | 2013/14 | 2012/13 |
|--|-----------------|----------------|
| Purchase of property, plant and equipment, investment property and intangible assets | (19,676) | (16,246) |
| Purchase of short-term and long-term investments | (222,780) | (141,490) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 7,461 | 4,578 |
| Proceeds from short-term and long-term investments | 207,922 | 140,612 |
| Other receipts from investing activities | 2,190 | 3,555 |
| | (24,883) | (8,991) |

Notes to the Main Financial Statements

42 Cashflow Statement – Financing Activities

| (£000s) | 2013/14 | 2012/13 |
|---|--------------|----------------|
| Other receipts from financing activities | 1,819 | (3,217) |
| Net cash flows from financing activities | 1,819 | (3,217) |

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

43 Prior Period Adjustments

HRA Dwelling Revaluation Losses

The accounting entries in respect of HRA dwelling revaluation losses in 2012/13 have been reviewed. As a result of this review a net credit of £4,171,000 is required to other HRA gross expenditure as reported in the Comprehensive Income and Expenditure Statement in respect of revaluation losses which should have been debited to the revaluation reserve.

Change to Accounting Standards - IAS19 – Employee Benefits

The *2013/14 Local Authority Accounting Code of Practice* introduced some changes in accounting for pensions as a result of amendments made to IAS19 on Employee Benefits.

The standard renames the actuarial gains and losses included in 'other comprehensive income and expenditure' as 'remeasurements' and a net interest expense is recognised in the Income and Expenditure Statement as a financing cost. The interest expense is calculated by applying the discount rate to the net defined benefit liability. This single charge replaces the finance charge and expected return on plan assets previously used.

The changes to IAS19 have no impact on the overall pension liability as at 31 March 2013 as previously reported.

There are also revised disclosure requirements for pensions, including a more detailed analysis of the breakdown of the pension scheme assets. These revised requirements are reflected in Note 39.

Notes to the Main Financial Statements

The effect of the revaluation and pension adjustments on the comparative 2012/13 accounts can be summarised as follows:

| (£000s) | As previously stated | Restated |
|--|----------------------|-----------|
| Effect on Comprehensive Income and Expenditure Statement: | | |
| Gross Expenditure on HRA Services | 33,259 | 29,088 |
| Financing and Investment Income: | | |
| Expenditure | 19,001 | 12,801 |
| Income | (18,244) | (11,010) |
| Other Comprehensive Income and Expenditure: | | |
| Surplus on revaluation of Property, Plant & Equipment Assets | (11,222) | (7,051) |
| Remeasurements of the net defined pension liability (previously described as actuarial gains and losses) | 11,138 | 10,104 |
| Movement in Reserves Statement: | | |
| (Surplus) / Deficit on the Provision of General Fund Services | 5,510 | 6,544 |
| (Surplus) / Deficit on the Provision of HRA Services | 2,806 | (1,365) |
| Other Comprehensive Income and Expenditure | (84) | 5,179 |
| Adjustments between accounting basis and funding basis for the General Fund | (4,577) | (5,611) |
| Adjustments between accounting basis and funding basis for the HRA | (2,718) | 1,453 |
| Unusable Reserves (Note 35) | | |
| Revaluation Reserve | (52,190) | (48,019) |
| Capital Adjustment Account | (466,571) | (470,742) |

The comparative figures in other notes to the accounts, including notes 4, 9, 16 and 39 have been adjusted as necessary, together with the HRA statement. These restatements have no effect on the balance on the General Fund or HRA as at 31 March 2013 as previously reported.

Reclassification - receipts in advance – housing tenants and leaseholders

Receipts in advance in respect of housing tenants and leaseholders were previously shown within creditors. The prior year comparatives for 31 March 2013 of £640,000 and 1 April 2012 of £619,000 have been reclassified from creditors to receipts in advance.

Notes to the Main Financial Statements

44 Impact of the adoption of new accounting standards on the financial statements – effective for the 2014/15 financial year

The 2014/15 Local Authority Accounting Code of Practice (the 2014/15 Code) includes a number of changes resulting from new and revised arrangements in respect of the accounting for groups, joint arrangements and disclosure of involvement in other entities. The changes in the 2014/15 Code result from these standards:

IFRS10 Consolidated Financial Statements

IFRS11 Joint Arrangements

IFRS12 Disclosures of Involvements with Other Entities

IAS27 Separate Financial Statements and IAS28 Investments in Associates and Joint Ventures

The Council does not currently prepare group accounts and does not expect material amendments to the financial statements as published in 2013/14 as a result of the changes in the 2014/15 Code.

The 2014/15 Code also introduces changes resulting from *IAS32 Financial Instruments Presentation* and *IAS1 Presentation of Financial Statements*. These amendments are not expected to lead to significant changes to the Statement of Accounts.

45 Date the Statement of Accounts were authorised for issue

The unaudited accounts were authorised for issue by the Council's Section 151 officer on yy September 2014. This is the date up to which events after the balance sheet date have been considered.

Additional Financial Statements and Information

Additional Financial Statements and Information

Housing Revenue Account Income and Expenditure Account

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

| (£000s) | Note | 2013/14 | 2012/13 (as restated) |
|---|------|-----------------|-----------------------|
| Income | | | |
| Dwelling rents | 2 | (34,175) | (32,817) |
| Non-dwelling rents | | (689) | (655) |
| Charges for services and facilities | | (2,801) | (2,672) |
| Contributions towards expenditure | | (478) | (477) |
| Reimbursement of costs | | (19) | (21) |
| Total | | (38,162) | (36,642) |
| Expenditure | | | |
| Repairs & Maintenance | | 6,060 | 7,680 |
| Supervision & Management | | 6,536 | 6,369 |
| Rents, rates, taxes & other charges | | 370 | 251 |
| Depreciation & impairment of non-current assets | | 4,290 | 14,727 |
| Negative HRA Subsidy | 3 | 0 | (12) |
| Increased provision for bad debts | | 125 | 73 |
| Debt Management Costs | | 0 | 0 |
| Total | | 17,381 | 29,088 |
| Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement | | (20,781) | (7,554) |
| HRA services share of Corporate and Democratic Core | | 295 | 180 |
| HRA services share of Non Distributed Costs | | 0 | 43 |
| Net Cost of HRA Services | | (20,486) | (7,331) |
| 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 | | (1,521) | (742) |
| Other income | | 0 | (13) |
| Impairment (gains)/losses on assets held for sale | | (17) | 17 |
| Interest payable on PWLB loans | | 7,494 | 7,494 |
| Interest and Investment Income | | (1,246) | (474) |
| Capital Grants and Contributions Receivable | | (549) | (316) |
| (Surplus) / Deficit for the year on HRA services | | (16,325) | (1,365) |

Additional Financial Statements and Information

Statement of Movement on the Housing Revenue Account Balance

| (£000s) | Note | 2013/14 | 2012/13 (as restated) |
|---|------|-----------------|-----------------------|
| (Surplus) / Deficit for the year on the HRA Income and Expenditure Account | | (16,325) | (1,365) |
| Adjustments between accounting basis and funding basis under statute | | | |
| Gain on sale of non-current assets | | 1,521 | 742 |
| Other capital receipts | | 0 | 13 |
| Impairment gain/(loss) on assets held for sale | | 17 | (17) |
| Net revaluation gains/(losses) on property, plant and equipment | | 6,734 | (4,020) |
| Revenue expenditure funded from capital under statute and de-minimus capital expenditure | | (404) | (116) |
| Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement | | 549 | 316 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | 0 | 0 |
| Movement in investment property value | | 756 | 15 |
| Movement in short term accumulating absences | | (1) | 0 |
| Net charges made for retirement benefits made in accordance with IAS19 | | (1,018) | (766) |
| Employers Contributions payable to the Cambridgeshire County Council Pension Fund | | 858 | 787 |
| Difference between amortisation of debt redemption premium determined in accordance with the Code and those determined in accordance with statute | 5 | 0 | 301 |
| Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP | | 6 | 10 |
| Capital Expenditure funded by the Housing Revenue Account | 8 | 6,406 | 7,447 |
| Transfer from the Major Repairs Reserve | 10 | (2,941) | (3,259) |
| Net (increase) / decrease before transfers to or from reserves | | (3,842) | 88 |
| Transfers to reserves | | 457 | 1,391 |
| Total movement on Housing Revenue Account for the year | | (3,385) | 1,479 |
| Housing Revenue Account balance brought forward | | (5,495) | (6,974) |
| Housing Revenue Account balance carried forward | | (8,880) | (5,495) |

Additional Financial Statements and Information

Notes to the Housing Revenue Account

1 Introduction

The Local Government and Housing Act 1989 set the framework within which the HRA operates. The account is 'ringfenced', meaning that authorities do not have discretion to fund any HRA deficits from the General Fund. Transfers from the General Fund can only be made at the direction of the Secretary of State.

2 Gross Rent

This represents income receivable in respect of all dwellings within the HRA, gross of rent rebates and net of rents not payable when properties are empty. As at 31 March 2014, 2.5% of properties were vacant (2.1% at 31 March 2013).

The average rent payable in 2013/14 was £100.46 per week based on 49 payable rent weeks (£92.88 per week on a 53 week basis). The average rent payable in 2012/13 was £94.69 per week based on 48 payable rent weeks (£87.41 per week on a 52 week basis).

3 Housing Revenue Account Subsidy Payable

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

There were therefore no transactions in 2013/14, and those made in 2012/13 related solely to any retrospective adjustments in respect of subsidy payable for 2011/12.

4 Asset Values within the HRA

| (£000s) | Asset Values | | Depreciation | |
|--------------------------------------|----------------|----------------|---------------|---------------|
| | 31 March 2014 | 1 April 2013 | 2013/14 | 2012/13 |
| Dwellings | 497,772 | 486,503 | 10,382 | 10,478 |
| Other Land and Buildings | 7,749 | 9,267 | 124 | 118 |
| Infrastructure | 1,276 | 1,005 | 27 | 26 |
| Vehicles, Plant and Equipment | 187 | 0 | 0 | 0 |
| Investment Properties | 5,193 | 4,423 | 0 | 0 |
| Assets held for sale – long term | 0 | 230 | 0 | 0 |
| Assets held for sale - current | 1,368 | 841 | 0 | 0 |
| Surplus Assets | 5,109 | 4,148 | 86 | 0 |
| Assets in the course of construction | 3,761 | 1,925 | 0 | 0 |
| | 522,415 | 508,342 | 10,619 | 10,622 |

Additional Financial Statements and Information

The value of council dwellings at 1 April 2013, based on vacant possession, was £1,247 million (1 April 2012: £1,261 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 loss reversals on Property, Plant and Equipment of £6.7 million have been credited to the Comprehensive Income and Expenditure Statement in 2013/14 (net revaluation losses charged of £4.0 million in 2012/13). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

An impairment loss of £17,000 has been reversed and credited to the HRA in respect of land at Latimer Close.

De-minimis capital expenditure of £404,000 (2012/13 £116,000) has been charged to revenue during 2013/14.

5 Loan Interest Charges

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

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7,494,000 being charged to the HRA in 2013/14 (£7,494,000 in 2012/13).

Additional Financial Statements and Information

6 Housing Stock

The Council was responsible for an average stock of 7,239 dwellings during the year. The stock as at 31 March 2014 was as follows:-

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| Houses & bungalows | 3,621 | 3,658 |
| Flats | 2,917 | 2,966 |
| Sheltered housing units | 507 | 520 |
| Shared ownership properties | 39 | 39 |
| Total | 7,084 | 7,183 |
| The change in stock during the year can be summarised as follows: | | |
| Stock at 1 April | 7,274 | 7,320 |
| Right to buy sales | (60) | (41) |
| Open market disposals | (1) | 0 |
| Net shared ownership changes | (0) | (1) |
| New properties | 33 | 2 |
| Other changes | 1 | (6) |
| Demolitions | (44) | 0 |
| Stock as at 31 March | 7,203 | 7,274 |
| Vacant awaiting re-development/disposal | (119) | (91) |
| Lettable Stock at 31 March | 7,084 | 7,183 |

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

7 Rent Arrears

Rent arrears at 31 March 2014 were £1,587,742 (£1,523,287 at 31 March 2013) and as a proportion of gross rent income have decreased marginally from 4.30% in 2012/13 to 4.29% in 2013/14.

At 31 March 2014 a provision for bad debt of £1,259,257 was held in the balance sheet (£1,204,518 at 31 March 2013).

Additional Financial Statements and Information

8 Financing of Capital Expenditure

| (£000s) | 2013/14 | 2012/13 |
|----------------------------------|---------------|---------------|
| Capital receipts | 1,850 | 362 |
| Major repairs reserve | 7,870 | 3,424 |
| Revenue financing of capital | 6,406 | 7,447 |
| Capital contributions and grants | 549 | 306 |
| | 16,675 | 11,539 |

Capital expenditure in the year was all in relation to HRA stock apart from £296,000 (£79,000 in 2012/13) which was spent on HRA infrastructure assets, £0 on other land and buildings (£270,000 in 2012/13), £13,000 on investment properties (£0 in 2012/13), £119,000 on vehicles, plant and equipment (£0 in 2012/13) and £3,372,000 (£1,172,000 in 2012/13) on assets in the course of construction.

9 Capital receipts within the HRA

| (£000s) | 2013/14 | 2012/13 |
|-----------|--------------|--------------|
| Dwellings | 6,106 | 4,441 |
| Land | 1,500 | 13 |
| | 7,606 | 4,454 |

10 Major Repairs Reserve (MRR)

| (£000s) | 2013/14 | 2012/13 |
|---|----------------|----------------|
| Balance at 1 April | (5,111) | (1,171) |
| Transfer to MRR during the year | (10,619) | (10,623) |
| Amount transferred from MRR to HRA | 2,941 | 3,259 |
| HRA capital expenditure on housing charged to MRR | 7,870 | 3,424 |
| Balance at 31 March | (4,919) | (5,111) |

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 Prior Period Adjustments

The prior period figure for depreciation and impairment of non-current assets has been restated as detailed in Note 43 to the main statement of accounts. This restatement has no impact on the balance on HRA reserves as previously stated.

Additional Financial Statements and Information

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

| (£000s) | Note | 2013/14 | | 2012/13 | |
|---|------|-----------------|--------------------|-----------------|----------------------------------|
| | | Council Tax | Non-domestic rates | Council Tax | Non-domestic rates (as restated) |
| Council Tax Income | | | | | |
| Council Tax | 2 | (57,416) | 0 | (60,238) | 0 |
| Contributions towards previous year's estimated Collection Fund deficit | | | | | |
| Cambridge City Council | | (140) | 0 | (87) | 0 |
| Cambridgeshire County Council | | (895) | 0 | (548) | 0 |
| Cambridgeshire Police & Crime Commissioner | | (145) | 0 | (89) | 0 |
| Cambridgeshire Fire Authority | | (50) | 0 | (30) | 0 |
| Non-domestic rates Income | 3 | 0 | (93,851) | 0 | (90,365) |
| Total Income | | (58,646) | (93,851) | (60,992) | (90,635) |
| Council Tax Expenditure | | | | | |
| Council Tax Precepts and Demands | | | | | |
| Cambridge City Council | | 6,394 | 0 | 6,831 | 0 |
| Cambridgeshire County Council | | 41,397 | 0 | 44,238 | 0 |
| Cambridgeshire Police & Crime Commissioner | | 6,696 | 0 | 7,157 | 0 |
| Cambridgeshire Fire Authority | | 2,418 | 0 | 2,432 | 0 |
| Impairment of Council Tax debts | 4 | 268 | 0 | 331 | 0 |
| Non-domestic rates Expenditure | | | | | |
| Share of non-domestic rates | | | | | |
| Cambridge City Council | | 0 | 37,309 | 0 | 0 |
| Cambridgeshire County Council | | 0 | 8,394 | 0 | 0 |
| Cambridgeshire Fire Authority | | 0 | 933 | 0 | 0 |
| Non-domestic rates due to central government | | 0 | 46,636 | 0 | 89,496 |
| Transitional protection payments | | 0 | 454 | 0 | 0 |
| Impairment of non-domestic rates debts | 5 | 0 | 315 | 0 | 638 |
| Provision for non-domestic rates appeals | 5 | 0 | 8,095 | 0 | 0 |
| Allowable costs of non-domestic Rates Collection | | 0 | 227 | 0 | 231 |
| Total Expenditure | | 57,173 | 102,363 | 60,989 | 90,365 |
| (Surplus)/Deficit for the year | | (1,473) | 8,512 | (3) | 0 |
| (Surplus)/Deficit as at 1 April | | 1,381 | 0 | 1,384 | 0 |
| (Surplus)/Deficit as at 31 March | 6 | (92) | 8,512 | 1,381 | 0 |

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 non-domestic rates 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 2014 was set at £1,512.16, made up as follows:

| (£000s) | 2013/14 | 2012/13 |
|--|-----------------|-----------------|
| Cambridge City Council | 169.90 | 166.57 |
| Cambridgeshire County Council | 1,100.07 | 1,078.65 |
| Cambridgeshire Police & Crime Commissioner | 177.93 | 174.51 |
| Cambridgeshire Fire Authority | 64.26 | 59.31 |
| Total | 1,512.16 | 1,479.04 |

The following table shows the calculation of the Council Tax Base for 2013/14 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2013/14

| Valuation Band | Total number of dwellings on the Valuation List | Total Equivalent Dwellings (after discounts, exemptions etc) | Ratio to Band D | Band D Equivalents |
|----------------|---|--|-----------------|--------------------|
| A | 2,980 | 2,185 | 6/9 | 1,457 |
| B | 9,574 | 7,625 | 7/9 | 5,931 |
| C | 17,641 | 15,097 | 8/9 | 13,419 |
| D | 8,621 | 7,329 | 9/9 | 7,328 |
| E | 4,942 | 4,237 | 11/9 | 5,179 |
| F | 3,100 | 2,655 | 13/9 | 3,835 |
| G | 2,845 | 2,310 | 15/9 | 3,850 |
| H | 446 | 256 | 18/9 | 513 |
| Total | 50,149 | 41,694 | | 41,512 |

Additional Financial Statements and Information

The income of £57.4 million in 2013/14 was receivable from the following sources:

| (£000s) | 2013/14 | 2012/13 |
|---|---------------|---------------|
| Billed to Council Tax payers | 57,421 | 53,875 |
| Council Tax benefits | (32) | 6,337 |
| Ministry of Defence Contributions in Lieu | 27 | 26 |
| Total | 57,416 | 60,238 |

3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2014 was £257,745,401 (£255,874,011 at 31 March 2013) and the Uniform Business Rate in 2013/14 was set by the government at 47.1p (2012/13, 45.8p).

4 Provision for Non-Payment - Council Tax

A contribution of £267,768 (£331,457 in 2012/13) was made to a provision for bad debts. During 2013/14, £2,057 of previously irrecoverable debts written off were written back (2012/13 a write off of £1,843).

5 Provision for Non-Payment and appeals - Non-Domestic Rates

A contribution of £57,899 (a reduction of £196,834 in 2012/13) was made to a provision for bad debts. Irrecoverable debts of £256,945 (£834,640 in 2012/13) were written off.

A provision for appeals relating to rateable value reductions in respect of 2013/14 and prior years has been established following the introduction of the new business rates retention scheme for local government. At 31 March 2014 this provision is £8,094,925.

6 Collection Fund Surpluses and Deficits

The surplus of £92,275 at 31 March 2014 (£1,381,288 deficit at 31 March 2013), which related to Council Tax, will be redistributed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

Additional Financial Statements and Information

The total Council Tax Collection Fund surplus is therefore shared as follows:

| (£000s) | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| Council Tax: | | |
| Cambridge City Council | (10) | 157 |
| Cambridgeshire County Council | (68) | 1,005 |
| Cambridgeshire Police & Crime Commissioner | (11) | 163 |
| Cambridgeshire Fire Authority | (3) | 56 |
| | (92) | 1,381 |

The deficit of £8,094,925 at 31 March 2014 in respect of non-domestic rates will be recovered in subsequent financial years from Cambridgeshire County Council, Cambridgeshire Fire Authority, Central Government and the Council in proportion to their shares of business rates income.

The total non-domestic rates deficit is therefore shared as follows:

| (£000s) | 31 March 2014 | 31 March 2013 |
|-------------------------------|---------------|---------------|
| Non-Domestic Rates: | | |
| Cambridge City Council | 3,405 | 0 |
| Cambridgeshire County Council | 766 | 0 |
| Cambridgeshire Fire Authority | 85 | 0 |
| Central Government | 4,256 | 0 |
| | 8,512 | 0 |

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 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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 non-domestic rates 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 highly liquid investments that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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

4 Changes in Accounting Policies and Estimates and Errors

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

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

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

5 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. No MRP is currently charged as the debt acquired in relation to HRA self-financing is outside the scope of this regime.

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

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

6 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring..

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the yields of the constituents of the iBoxx £ Corporates AA index and the Council's weighted average duration).
- 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 the following components:
 - Service Cost comprising:
 - 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 as a result of a scheme amendment or curtailment 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
 - Net Interest on the net defined benefit liability – ie the net interest expense for the Council. This is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
 - Remeasurements comprising:
 - The return on plan assets excluding amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - 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

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year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows than as benefits are earned by employees.

7 Events after the Reporting Period

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

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

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

8 Exceptional Items

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

9 Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

10 Financial Assets

Financial assets are classified into two types:

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

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

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

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

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

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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

11 Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. 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

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posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

13 Inventories

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

14 Investment Properties

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

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

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

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

15 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (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.

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

17 Property, Plant and Equipment

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

Recognition

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

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

The Council is paying 7% of the infrastructure costs of Clay Farm, which is being developed for housing, net of the contributions made towards these costs by affordable housing providers. The Council is paying the infrastructure costs gross and receiving a credit in relation to the contribution made by affordable housing providers separately. The Council accounts for 93% of the gross costs as an enhancement to its land, recognising a net debtor or receipt in advance at the end of each financial year dependant on the credits received in respect of affordable housing providers. The Council does not consider the accounting for these costs net of affordable housing contributions leads to any material misstatement.

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 does not have commercial substance and therefore will not increase the cash flows of the Council. In the latter case, where an asset is acquired via an exchange, 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

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gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

Disposals

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. Housing sold under the Right to Buy legislation is not reclassified as Assets Held for Sale as its primary purpose remains as a dwelling until the point of disposal and it is only considered significantly more likely than probable that a disposal will actually occur very close to the disposal itself. The carrying value of housing sold under right to buy remains the same as if it had been transferred to assets held for sale.

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets

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without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

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

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

18 Heritage Assets

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

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

Civic Regalia

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

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

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

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19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus/deficit on the

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provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22 Value Added Tax (VAT)

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

23 Foreign Exchange Translation

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

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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 arm's length transaction.

Finance Lease

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

Financial Asset

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

Financial Liability

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

Financial Instrument

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

Government Grants

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

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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.

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.

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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 2013/14. This specifies the principals and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

Abbreviations used in the accounts

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