APPENDIX 3

CAMBRIDGE CITY COUNCIL

ANNUAL REPORT AND STATEMENT OF ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2011

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

Cambridge City Council
Annual Report & Statement of Accounts
2010/11

Contents

Who we are and what we do

Cambridge City Council is one of five district councils that, together with Cambridgeshire County Council and Peterborough City Council, provide services to the people of Cambridgeshire.

The City Council serves a population of about 123,000 residents in an almost entirely urban area in an otherwise mainly rural county. The city 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 out side of the city as well as residents, which places additional pressure on our resources particularly felt during a period of significantly reduced government funding for the Council.

The city is at the centre of a housing growth region and could see its population grow by almost a third over the next 15 years. Despite the current national economic problems progress continues to be made on taking forward the growth agenda.

Most of the new homes are planned for sites on the southern, and north-west fringes of Cambridge and in 2010/11 work started on developing the infra-structure for the development of 1,200 homes at Trumpington Meadows and detailed proposals for a country park were approved. Planning permission was granted for new homes at Glebe Farm (286 homes), the Bell School site (347 homes) and Clay Farm (2,300 homes) where work on a new ‘spine’ road linking the Addenbrooke’s Access Road and Long Road has started. It is expected that new homes will be available on most of these sites by 2012 and for the Bell School site by 2013.

In north-west Cambridge planning permission was granted for 187 homes on the NIAB site and the first homes are now occupied.

House prices in Cambridge are higher than elsewhere in the county and are about £100,000 over the regional average. The provision of good quality affordable and sustainable housing is a priority for the Council and it has set a target for developers of 40% affordable housing to be provided on the larger growth sites.

The Council employs around 1,080 full-time and part-time staff who provide a wide range of services for residents, local businesses, and people who work in and visit the city. This is a reduction of 80 on the number of staff in 2009/10. We know how important it is that we provide value for money in all the services we deliver, especially in these difficult economic times. The main services that we provide include:

- Keeping the streets and public open spaces clean
- Championing recycling and emptying refuse and recycling bins
- Providing a range of leisure facilities including swimming pools and community centres and providing entertainment in the City’s parks and the Corn Exchange
- Awarding a wide range of grants to support local organisations and community groups
- Offering planning advice, progressing planning applications and making sure that new buildings and alterations are safe

- Monitoring and enforcing food and drink hygiene standards together with the control of pests and disease, noise and air pollution
- Licensing food premises, street traders and entertainment venues
- Managing council run car parks
- Organising and managing elections and the electoral register
- Providing housing advice and support and working with partners to meet peoples housing needs
- Providing and maintaining 7,330 council dwellings
- Processing housing benefit and council tax benefit applications
- Promoting long-term policies that encourage sustainability.

Council Structure

Cambridge residents elect 42 councillors across 14 wards in the City. The full Council meets formally at least five times a year. Its main function is to approve the Council's most significant policies and its budget framework. In February each year the Council sets the level of Council Tax for the coming financial year.

Council elections during the May 2011 resulted in no change to the political control of the Council. The Council is now made up of 25 Liberal Democrats led by Councillor Sian Reid, 14 Labour, 2 Green, and 1 Independent councillor.

The Executive Councillors

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. In 2010/11 these were:

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

Executive Councillors can make decisions individually, usually at a meeting of a Scrutiny Committee that is relevant to their group of services. Executive Councillors also meet formally each year, once to decide the overall budget strategy and subsequently to decide the overall budget and Council Tax level to be recommended to the full Council.

Committees and Council Meetings

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

- Regulatory
- Scrutiny
- Area

Regulatory Committees make decisions that are not allowed by law to be made by an Executive Councillor alone. These committees include: Civic Affairs, Licensing, Planning and Standards.

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

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

The Council's Vision Statement, Performance and Plans

The Council has eight vision statements that determine how we prioritise the use of our resources.

In the following pages we tell you how we are performing against each of these statements, what we have achieved over the past year and what our plans are for 2011/12.

Our vision is for:

A city which is diverse and tolerant, values activities which bring people together and where everyone feels they have a stake in the community

During 2010/11 we:

- Organised Chance to Dance, a free dance festival, and were awarded a 2012 Inspire mark which is given to projects and events inspired by the Olympic games.

- Awarded the 2012 Inspire mark for Street Games, a project that enables young people who are inspired by the Olympics to play, coach or volunteer in sport in their neighbourhood.

- Supported 15 young (11-25 year old) athletes in the city through the Future Champions Programme by awarding grants to support their training. The programme supports young people with sporting talent with priority being given to Olympic and Paralympic sports.

- Supported events and programmes to celebrate diversity such as Black History Month, Cambridge Celebrates Age, Disability History Month, Inter-Faith Week, Refugee Week, LGBY History Month and International Women's Day.

- Organised The Big Weekend, which included a Mela zone. Mela, meaning 'gathering' in Sanskrit, was a celebration of food, drink, dance and music from the South Asian subcontinent.

- Organised ‘Bling ya Ting’, a multi-cultural talent show for local residents which 900 people attended.

- Supported Love Cambridge, the City Centre Partnership, in the organisation and delivery of the Christmas lights switch on. This event has been developed over the past three years to involve local dance, drama and music groups in a broad entertainment programme which is spread across four stages in the city centre.

Our plans for 2011/12 include:

- Increasing participation in arts and recreation activities by people on low incomes and those from black, Asian and minority groups.

- Progressing delivery of our plan to make the most of opportunities arising from the London 2012 Olympic and Paralympic Games.

- Delivering an effective annual programme of public and partnership events to celebrate and value the diversity of the city.

- Delivering (or working with developers to deliver) three public art projects for the city’s new communities planned with the involvement of the communities.

- Producing an Annual Report and exhibition of the work of grant-aided groups high-lighting community cohesion and integration activities.

- Addressing in partnership with other agencies, community safety issues affecting neighbourhoods in the north of the city through the North Area Committee pilot.

- Carrying out litter picks and clean-up campaigns within every area committee neighbourhood, assisted by the Probation Service who operate a community payback scheme.

- Developing our website so that more of our customers are able to conduct more of their business with the Council on-line because it is easy to use, contains relevant and up-to-date information and a greater proportion of services are available online.

- Adopting and implementing a Code of Best Practice on consultation and community engagement.

A city which recognises and meets needs for housing of all kinds - close to jobs and neighbourhood facilities

During 2010/11 we:

- Began work on the £3.7 million redevelopment of the former Jimmy’s Night Shelter into a round-the clock support centre for the city’s homeless. Preventing homelessness remains a high priority for the Council and we work with a range of partner agencies offering support for homeless people.

- Saw building work begin on the £850 million cb1 redevelopment of the Cambridge station area which will provide three blocks of accommodation for students at Anglia

Ruskin university, a new base in the city for Microsoft Research, a hotel, shops, 331 homes and a new transport interchange.

- Launched a new Community Forum in the south of the city to inform and involve residents as development moves forward in the new growth sites.

- Completed five new Council homes, the first to be built in Cambridge for over 20 years. The new homes were all built to Level 4 of the Code for Sustainable Homes and included one fully wheelchair accessible bungalow.

- Supported the development of an extra care scheme for the elderly provided by Cambridge Housing Society on land owned by the Council. The scheme has been built to Level 5 of the Code for Sustainable Homes and includes eight homes provided for Chinese elders.

- Through Home Aid, supported 95 older people to carry out essential adaptations and repairs to allow them to stay in their homes.

Our plans for 2011/12 include:

- Continuing to work on a new Local Development Framework (due for completion in 2012-2013) that protects the character of the city and makes provision for housing and jobs and the necessary infrastructure to support communities.

- Working with developers, housing associations and planners to ensure that the city's social and market housing (including private rented housing) continues to grow and includes 40% affordable housing in most new developments.

- Delivering a £952,000 planned maintenance programme so that all City Council stock continues to meet the Decent Homes standard.

- Engaging with private sector landlords to ensure they meet the statutory requirements of the Housing Act 2004 so that the physical condition of private housing in Cambridge continues to improve.

- Setting up a new self-financing system showing a clear fully funded, 30 year business plan for the management of the city's own housing stock.

- Continuing to develop HomeLink (our choice-based housing letting system) so that it becomes the hub for housing and housing related advice across all tenures and links effectively with other related services e.g. housing benefit advice.

- Improving support to rough sleepers so that the incidence of rough sleeping and use of temporary accommodation is minimised.

- Reviewing the option of a shared Home Improvement Agency with South Cambridgeshire District Council and Huntingdonshire District Council to provide support for older and vulnerable people to be warm, safe and as independent as possible in their homes.

- Establishing community forums in the city's Southern Fringe and North-west development areas as the focus for community engagement and development.

- Working to deliver the first phase of community infra-structure in the city's Southern Fringe and North West development areas.

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

During 2010/11 we:

- Agreed proposals for a £350,000 refurbishment of the city's Parkside Swimming Pool

- Approved plans for the development of Clay farm on the city's southern fringe which include the planting of 1,000 trees.

- Approved plans for a major revamp of the Cambridge Arts Theatre in Peas Hill which include the building of a new foyer, new bars and extra performance space.

- Allocated funding from developer contributions towards construction of two new all-weather floodlit pitches for community use at Chesterton Community College and Netherhall School.

- Supported Love Cambridge in the development and installation of a new co-ordinated pedestrian signage system across the city centre.

- Delivered the first part of the Markets Improvement Plan with the installation of new market canopies for every stall.

Our plans for 2011/12 include:

- Delivering 10 developer-contributed projects that lead to improvements to open space, sports, recreation and public art provision.

- Working with developers and other interested parties to consider proposals for a community stadium in the city.

- Working closely with developers to ensure that new development is of high design quality and contributes positively to the character of the built and green space in the city.

- Developing and adopting a tree strategy in consultation with the community.

- Delivering high services standards for the environment, particularly for street cleansing, and fly-tipping and graffiti removal.

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

During 2010/11 we:

- Signed a contract for the provision of new recycling banks around the city for small electrical appliances and household goods, and additional banks for clothing shoes, books, CDs and DVDs.

- Increased our recycling rate to 44% from 41% since the introduction of the blue recycling bins in November 2009.

- Approved a 'water strategy' for the management of rainwater at the Clay Farm development site in the south of the city.

- Began a review of the bin collection service to ensure that residents get good value and that collection routes are chosen to reduce fuel usage and CO^2 emissions.

- Installed electrical recharging points in two city centre car parks.

- Fitted better installation and energy efficient boilers saving council tenants up to £1.2m on heating bills.

- Introduced a new four-year Environmental Improvement Programme with an annual budget of £200,000.

- Supported love Cambridge in it's "Make a Difference Day" in May 2010 that launched the new "Love Cambridge Charter". The Love Cambridge Charter is aimed at encouraging businesses to commit to improvements in three main areas, customer service, improvements to the streetscape in which they trade and contributing to reducing the city's carbon footprint.

Our plans for 2011/12 include:

- Continuing to implement our three-year programme of energy efficiency measures in community leisure and recreation facilities.

- Agreeing a strategy for the best use of the Council's accommodation for the period 2011-2016 that also supports our CO^2 reduction targets .

- Reducing the Council's running costs and levels of CO^2 emission through investing-to-save in its accommodation e.g. through installing solar panels or other energy efficiency measures.

- Working with housing associations to ensure that new affordable housing is built to at least Level 4 of the Code for Sustainable Homes.

- Carrying out improvements as part of our planned housing maintenance programme to improve the energy efficiency of the Council's housing stock and generate lower levels of carbon output, environmental waste and pollution.

- Promoting improved energy efficiency in private housing in Cambridge so that fewer people suffer 'fuel poverty' in their housing, and housing in the city generates lower levels of carbon output, environmental waste and pollution.

- Working with developers to ensure that new developments and communities meet high standards of sustainability by ensuring compliance with our low carbon policies.

- Exploring the potential of new Government schemes and policies to fund and/or promote renewable energy in the city.

- Working with partner organisations to agree a new Climate Change Strategy and action plan for Cambridge that builds on the existing plan that expires in 2012.
- Providing better facilities for 'recycling on the go' on our streets and open spaces.
- Undertaking consultation with residents on recycling provision to inform improvements to services such as the 23 Bringbank sites in the city.
- Working to increase our income from trade waste collection by 4% and encouraging businesses to recycle more and improve their waste management.
- Delivering a mercury abatement project at the Huntingdon Road crematorium.
- Publishing an asset improvement programme for cultural facilities highlighting options and recommendations for investments that will deliver cost effective and/or exemplary carbon reduction savings; implementing year one actions.

A city whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives

During 2010/11 we:

- Launched a Community Play Boat on the river Cam to allow children to enjoy fishing, river dipping and wildlife spotting.
- Ran a community action day with members of the Friends of Cherry Hinton Hall seeding a wildflower meadow and butterfly garden behind the Hall.
- Completed a £65,000 refurbishment of the play area at Staffordshire Gardens.
- Have seen an increased demand for allotments in Cambridge with all 175 council run plots now occupied with 275 people on the waiting list.
- Provided over £1m of grants to local groups and organisations.
- Saw over 250,000 visits to our local community and neighbourhood centres.

Our plans for 2011/12 include:

- Developing opportunities for local people to use arts and recreation to shape themselves and their communities.
- Creating opportunities for engagement by the community in the North Area Committee pilot which is reviewing how area committees operate and what decisions will be delegated to area committees in the future.
- Advocating for partner organisation e.g. police, health, county council engagement in area-working and devolution in the city.
- Proposing new arrangements for leisure grants, which will give a greater focus to role of area committees.

- Launching the Children and Young People's Participation Service (CHYPPS) hub to enable children and young people to take part in positive activities and democratic processes that influence the quality of life in their neighbourhoods.

- Increasing resident involvement in setting local priorities for street cleaning in their neighbourhoods.

- Reviewing and enhancing our communications systems to ensure that residents, customers and other audiences have the information they need to access the Council's services, to get involved in decision-making and to understand the Council's performance and its work for the community e.g. by making data sets available where possible.

A city where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all

During 2010/11 we:

- Agreed, with partner organisations, a new set of community safety priorities, which are: reducing alcohol-related violence in the city centre, repeat victims of domestic violence, repeat incidents of anti-social behaviour and re-offending.

- Approved an apprenticeship scheme for unemployed young people aged between 16 and 18 which will lead to an NVQ Level 2 in cleaning and support services.

Our plans for 2011/12 include:

- Implementing the Government's proposed new welfare reforms, working with the Department of Work and Pensions and advocacy and support agencies in the city to ensure a high-level of take-up by in particular, those who are most vulnerable and in need.

- Coordinating and providing support for debt advice and information that minimise the number of people who, as a result of welfare reforms, are at risk of becoming homeless or whose financial circumstances could be exploited by others.

- Continuing to address community safety issues affecting neighbourhoods in Cambridge through the four public Area Committees.

- Introducing electronic forms to make it easier for people to report anti-social behaviour and to update caseworkers.

- Working with the police to improve the way we deal with complex cases.

- Engaging more actively with black, Asian and other minority communities who feel vulnerable, to give them opportunities to express their concerns and have them addressed.

A city where getting around is primarily by public transport, bike and on foot

During 2010/11 we:

- Organised the Cambridge Cycle challenge for 2011 which encourages people living and working in the city to rediscover the joys and benefits of cycling.

Our plans for 2011/12 include:

- Delivering new transport measures and actions to improve facilities for pedestrians, cyclists and public transport users including in the new developments within and on the fringes of the city.
- Contributing to the review of area transport plans and proposed projects for investment.
- Supporting the local process of bidding to relevant funding sources for transport-related projects.

A city with a thriving knowledge–based economy that benefits the whole community and builds on its reputation as a global hub of ideas and learning

During 2010/11 we:

- Staged an event at the Guildhall as part of 'Science on Saturday', the biggest day of the Cambridge Science festival held in March.

Our plans for 2011/12 include:

- Working with partner organisation to ensure that the city and its sub-region's economic growth ambitions are properly reflected in the plans and operation of the new Local Enterprise Partnership (LEP) and other joint working arrangements for spatial planning and the delivery of growth.

How do we compare?

During 2010/11 the new Coalition Government abolished both the Comprehensive Area Assessment regime and the National Indicator set which had been the means by which local authorities were able to compare performance. The Government is intending to introduce, in May 2011, a new national 'Single Data List' comprising all the data that local authorities will be required to collect and return to government departments each year.

Councils are also being encouraged to develop and publish their own local performance indicators to enable local electors to make their own judgement on the council's performance. In 2010/11 the City Council introduced a new service delivery planning system based on a delivery plan for each of the seven portfolios held by the Council's Executive Councillors. These new Portfolio Plans set out a number of strategic objectives under the vision statements relevant to the portfolio. Each strategic objective has a number of outcomes/actions that will be achieved in 2011/12 and the performance measures by which this achievement will be evidenced.

Portfolio Plans are underpinned by Operational Plans produced by each council service, which set out in more detail what action will be taken to deliver the outcomes and objectives in the Portfolio Plans. The achievement of these plans will also be evidenced by performance measures.

The council's new performance information set will comprise information from the new Single Data List and Portfolio Plan and Operational Plan indicators. We hope to publish our first set of data against this list in July 2012.

What do residents say about our services?

Budget Consultation October 2010

A survey asking residents to prioritise council services in terms of their importance was published in the autumn edition of Cambridge Matters, the Council's magazine for residents, and on the Council's website. Residents were asked to undertake this exercise in the context of reductions in the government grant to the Council and that the Council is looking for ways to deliver services more efficiently. In total 449 households responded to the questionnaire.

In broad terms the results reflected those from previous similar surveys. Respondents placed greatest importance on our core services: collecting waste and recycling (68%), cleaning the streets (51%) and maintaining our parks and open spaces (43%). They also placed high importance on working with the police to tackle crime and anti-social behaviour (52%).

Least importance was placed on the Council continuing to manage ticketed and free events for residents and visitors (less than 10%).

Residents were split over some services, for example:

- 17% said providing a CCTV service was of high importance and 35% said it was of less importance.
- 28% said planning for new housing, including affordable housing, and designing attractive new neighbourhoods was of high importance, whilst 19% said it was less important.
- 28% said that providing and maintaining sports and leisure services such as swimming pools was of high importance, whilst 16% said it was less important.

How to find out more

Further information about the Council's performance and the Council's priorities for 2011/12 is available in our Portfolio Plans at http://www.cambridge.gov.uk/ccm/content/council-and-democracy/how-the-council-works/council-performance/portfolio-plans.en

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing the Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Director of Resources has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Scope of Responsibility

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

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Cambridge City Council for the year ended 31 March 2011 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 Local Strategic Partnership's Sustainable Community Strategy which sets out the vision for the City and a set of priorities for delivering improvements in the quality of life for Cambridge's residents.

- The Cambridgeshire Sustainable Community Strategy, which develops the local community strategies of the five district Sustainable Community Strategies into a set of countywide priorities.

- The Cambridgeshire Local Area Agreement (LAA), which sets out the targets agreed with government to be achieved in relation to those countywide priorities.

- The annual Budget and service planning process which translates the Council's Objectives into actions at portfolio and operational level.

- The Council's Medium Term Financial Strategy, which identifies how the Council will resources 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, are reviewed regularly and available to all Members and staff.

- The Council's Standards Committee, which promotes and maintains high standards of conduct by Members.

- The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed annually by the Council's Standards Committee.

- A Register of Interests which is maintained and reviewed regularly.

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

- Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and Officers.

- A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.

- The roles of the Council's Civic Affairs and Standards Committees, which fulfil the core functions of an Audit Committee as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.

- The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.

- The role and functions of the Council's Monitoring Officer, which are set out in the Council's Articles of the Constitution.

- A 'Whistleblowing' Policy, which is in place and available on the Council's intranet.

- The Council's Complaints Procedure, which is available on the Council's website.

- The annual complaints report to Standards 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 Budget Consultation, which is undertaken to gauge the public's perception of Council services and the relative importance of services and areas where the Council could make savings.

- 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 the County-wide partnership structure that will ensure the Council's partnerships are accountable and effective.

The financial management arrangements at Cambridge City Council conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government 2010.

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 report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is targeted using assessments of potential risk, with the allocation of audit resources controlled through an annual risk- based operational plan, which is agreed, annually, by the Council's Civic Affairs Committee. Members are kept informed of the work of Internal Audit through a dedicated Members' Internal Audit web-page, which publishes copies of the Executive Summaries of Audit reports..

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

Individual Internal Audit reports are issued directly to the relevant Director, the Director of Resources, the Leader of the Council and the relevant Executive Councillor. Executive Summaries of Internal Audit reports are circulated to the Chief Executive and the Council's Monitoring Officer to ensure that they are informed of potential areas of non-compliance with legislation. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into the Council's Risk Register and progress on their implementation is monitored. Management of the Internal Audit function conforms with the principles contained in CIPFA's Statement on the Role of the Head of Internal Audit in Local Government.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms and these have been collated centrally and reviewed as part of the Annual Governance Statement process.

The Council's Standards Committee is responsible for advising on and monitoring the Members Code of Conduct and for advising the Council on the ethical aspects of the corporate governance framework.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Civic Affairs Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Action Plan to Address Significant Governance Issues

N.B. Action points 2, 3 and 4 were identified as issues in the 2009-10 AGS Action Plan. Progress has been made in all of these, but need finalising.

1 Issue

One of the actions included in last year's AGS Action Plan was to review the Council's service planning process. This has been completed and a new process put in place for 2011-12, comprising high level portfolio plans and service level operational plans.

Previously, service level performance was reviewed at mid-year and at the year-end. However it was agreed that there was limited value in reporting on this for 2010-11, due to significant changes locally in terms of Council restructuring and the Council's new 'vision statements', and changes nationally in relation to performance reporting. The development of a new performance management framework has been identified as a task in the operational plan for the Council's Corporate Strategy team.

Action

[Target date & Officer Responsible]

- Following announcement of the new single data list by the Government, complete the review of the Council's Performance Management Framework, with particular reference to agreeing:

  - the approach to portfolio / operational planning for 2012/13; and
  - the process for regular review of performance against plans.

  Head of Corporate Strategy
  October 2011

2 Issue

A key part of the Council's performance management process was the Corporate Improvement Plan (CIP), which brought together key areas of performance from individual service plans with a view to addressing areas of poor performance. The CIP expired in May 2010.

Actions

[Target date & Officer Responsible]

- The continued need for a Corporate Improvement Plan will be considered as part of the review of the Council's Performance Management Framework (see 1 above).

  Head of Corporate Strategy
  October 2011

3 Issue

One of the actions included in last year's AGS action plan was to undertake a full review of the Council's risk management arrangements in light of the Council's re-structure. This review is now well underway, but needs to be completed.

Actions
[Target date & Officer Responsible]

- Complete the review of the Council's risk management arrangements, including the following key activities:

  - Undertake risk workshops for all service areas to obtain a complete and up to date picture of the current risks facing the Council;
  - Procure a new risk register to manage the Council's risks effectively; and
  - Implement a new process for managing and reviewing the Council's risks.

  Support Services Manager / Principal Auditor
  October 2011

4 Issue

A full review of the Council's Project Management Guidelines was an action included in last year's AGS. New target deadlines for completing this action have been set in the operational plan for Corporate Strategy.

Action
[Target date & Officer Responsible]

- Complete the full review of the project management guidelines and roll out across the Council.

  Corporate Project Officer / Head of Internal Audit
  September 2011

5 Issue

A new template for Service Continuity Plans has been developed and Heads of Service have been requested to update their plans using the new template and save them on a centrally held drive. This review process needs to be completed for all service areas.

Actions
[Target date & Officer Responsible]

- Heads of Service to be reminded to update their service continuity plans using the new template and save them on the central drive.

  Support Services Manager
  July 2011

6 Issue

Since 2003/04, responsibility for compiling the AGS report has rested with Internal Audit. In December 2010, CIPFA issued a statement on 'The Role of the Head of Internal Audit in Local Government', which states that the Head of Internal Audit should 'set out the framework of assurance that supports the AGS and identify Internal Audit's role within it', but 'should not be responsible for preparing the report.' It was agreed by the Strategic Leadership Team in March 2011 that this year, as in previous years, responsibility for compiling the AGS would remain with Internal Audit, but going forward, there is a need to review responsibility for undertaking this key task in future.

Actions
[Target date & Officer Responsible]

- Strategic Leadership Team to review responsibility and arrangements for compiling the AGS report for 2011-12 and thereafter.

  Strategic Leadership Team
  December 2011

7 Issue

An internal audit review of partnership arrangements for four of the Council's key partnerships was undertaken in 2009/10. This audit provided significant assurance on those partnerships' governance and accountability arrangements.

Since this audit, a risk has been identified whereby smaller partnership arrangements may engage in commercial activities presenting a potential financial and reputational risk to the council.

Action
[Target date & Officer Responsible]

- Undertake an internal audit review of the risks and governance arrangements for the Council's smaller partnership arrangements and identify where additional controls are required.

  Head of Internal Audit
  December 2011

8 Issue

Preparation of the AGS has highlighted a gap in assurance in the management of major projects.

Action
[Target date & Officer Responsible]

- Undertake internal audit reviews of Project Management arrangements for a range of projects covering all portfolios.

  Head of Internal Audit
  March 2012

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 Sian Reid
Leader of the Council
Date:

Antoinette Jackson
Chief Executive
Date:

Opinion on the Authority accounting statements

I have audited the accounting statements of Cambridge City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund, and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Cambridge City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in Paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective Responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the annual report and the introduction to the statement of accounts to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Cambridge City Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the annual report and the introduction to the statement of accounts for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Cambridge City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Paul King
Officer of the Audit Commission

Date:14 September 2011

Audit Commission
3rd Floor
Eastbrook
Shaftesbury Road
Cambridge
CB2 8BF

Introduction to the Statement of Accounts

I am pleased to introduce the Council's Statement of Accounts for 2010/11. Cambridge City Council is a large organisation, employing the equivalent of just over 1,000 full time staff, and provides a diverse range of services to its residents, local businesses and visitors. These services include the provision and upkeep of council housing, waste collection and recycling, arts and recreation, car parking, community facilities, environmental health, planning and development control and many more.

The accounts, set out on pages 9 to 105 contain a series of statements, summarising financial activity during the year in delivering these services and setting out the Council's assets and liabilities at the beginning and end of the Council's financial year, which ran from 1 April 2010 to 31 March 2011.

The accounts have been prepared in accordance with a new 'Code of Practice on Local Authority Accounting in the United Kingdom' (The Code). This code is based on International Financial Reporting Standards (IFRS) and introduces significant changes to the key financial statements and to the accompanying notes in this publication. The introduction of IFRS based accounts has also necessitated the re-statement of various balances and transactions and note 42 starting on page 69 sets out the material differences between amounts presented in the 2009/10 accounts and the equivalent amounts for the year 2010/11.

The key financial statements are listed below:

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

These accounts are supported by appropriate notes, a statement of the accounting policies of the Council and a glossary of terms.

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

Review of 2010/11

The national and international economic climate, together with pressure to significantly reduce public sector spending, combined to provide a very challenging financial environment for the Council during 2010/11. Effects have been most marked in relation to the continuing low interest rates during the year and the slowdown in the housing market. Budgets were reviewed and revised during the year to reflect changing circumstances in particular both immediate and anticipated future reductions in government funding for the Council's services.

As previously reported, the City Council was one of many local authorities affected by the collapse of Icelandic banking institutions in 2008/09 with a total of £9 million in short term investments with two of the affected banks (Landsbanki Islands hf and Heritable Bank Plc). The security of these investments is still uncertain and the Council may not recover all of its investments. Although the final extent of any financial loss is unknown, the prospects for recovery (albeit over an extended period) of a substantial proportion of these investments remains positive.

In drawing up these accounts, the Council has followed the detailed guidance issued by the CIPFA Local Authority Accounting Panel in relation to the anticipated recovery of these deposits and in terms of the valuation shown in the accounts.

In 2010/11, the General Fund was charged with the amount of the impairment of these investments, totalling £2 million, recognised within the 2008/09 and 2009/10 Income and Expenditure Accounts. The deferment of these sums was permitted by the Capital Finance Regulations to allow authorities time to make appropriate budgetary provision. Further information can be found in note 24.

Just as in the private sector, the effects of the economic climate on the values of Council-owned property are reflected in the accounts each year. However the most significant change in property values reflected in these accounts resulted from the application of new guidance on the valuation of Council dwellings, in particular the reduction factor used to reflect the fact that such property has sitting tenants.

In total, the valuation of council dwellings reduced by £85.7 million. Of this sum £59.0 million is reflected in the Comprehensive Income and Expenditure Statement and £21.4 million was charged to the Revaluation Reserve offsetting accumulated prior year revaluation gains.

Further information about the valuation of assets, and how changes in their value must be accounted for, can be found in the Statement of Accounting Policies section.

Financial pressures in the year included a poor Government Grant Settlement with an increase of just 0.5% in grant. In addition the Council continued to bear additional costs arising from the introduction of the national concessionary bus fares scheme, in April 2008, despite the award of additional government grant of £1.3 million in 2010/11, following successful lobbying by the Council and other similarly affected local authorities.

Given the prevailing economic climate and these financial pressures, it is pleasing to note that:

- The Council completed its programme of major investment in the provision and improvement of face-to-face, telephone and web-based services to the public. The initial investment of over £3.7 million in a new Customer Service Centre, funded from reserves, is now being repaid through the achievement of savings in running costs of over £1 million per year.

- The Council concluded a review of its senior management structure during 2010/11 and reduced the number of directors and departments from 5 to 3, together with a number of senior manager posts. Below this level, Heads of Service are now completing reviews of their service management arrangements in order to deliver cost effective services and contribute towards the Council's savings targets.

- A programme of service reviews continues to achieve worthwhile on-going savings for the Council that will support the Council's financial position going forward.

- Major investment continued to be made in the Council's housing stock, achieving the required 'Decent Homes Standard' by the end of 2010.

- With the help of an element of grant funding from the Homes and Communities Agency, the Council was able to build and let 5 new general needs affordable homes, with 2 others due for completion early in 2011/12. These are the first new homes of this type to be built and managed as part of the Council's Housing Revenue Account for many years.

Revenue Spending and Income

General Fund Services

For 2010/11, the Council agreed a budget for net spending of £19.1 million. This sum was to be financed in part by government grant together with the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for City Council services was set at £166.57 for Band D properties, an increase of 2.5% over the previous year.

The table below compares the final outturn figures for the General Fund with those originally planned, when the budget and Council Tax for the year was agreed in February 2010.

(£000s)	**Original Budget**	**Actual**	**Difference**
Net Revenue Spending on Services	23,953	21,122	(2,831)
Capital Accounting Adjustments	(2,725)	(3,632)	(907)
Capital and Revenue Projects Spending Funded from Revenue	2,291	1,039	(1,252)
Contributions to/(from) Reserves	(4,384)	606	4,990
Total	**19,135**	**19,135**	**0**
Financed by:			
Revenue Support Grant	1,577	1,577	0
Share of National Business Rates	10,861	10,861	0
Council Tax	6,697	6,697	0
Total	**19,135**	**19,135**	**0**

The Council's actual net revenue spending on the provision of services was £2,831,000 below the original budget set for the year. A variety of factors contributed to this position including re-phasing of some expenditure into 2011/12, for which requests to carry forward budgets totalling £768,000 have been made. Tight budgetary control, the delivery of savings from the review of services and close controls on the recruitment to vacant posts during the year accounted for a significant part of the overall total. In addition, income from services, such as car parking, was not impacted by the economic downturn to the extent that had been anticipated. The introduction of new co-mingled waste recycling facilities for business customers also contributed to the overall positive outcome, through a combination of additional income and reduced costs.

The total amount of capital and revenue projects expenditure funded from revenue, was also below budget by £1,252,000 largely reflecting slippage on the timing of projects. Together, these reductions in spending meant that the combined use of general and earmarked reserves was reduced by £4,990,000 from that planned.

A net contribution to the General Fund Reserve of £548,000 was made for the year and, at the year-end, the reserve stood at £9.85 million. This reserve provides financial flexibility to the Council for meeting exceptional and/or unanticipated items and is used to support the Council's capital investment programme.

Housing Revenue Account

The Housing Revenue Account (HRA) budget for 2010/11 was set to deliver a sustainable financial position over the longer term. Part of the longer-term budget strategy has been to release HRA reserves over a period of years, until reserves are reduced to a target level of £3,000,000. For 2010/11 the budget was set with the intention to utilise £1,000,000 of reserves. This strategy has, and continues to provide additional revenue contributions to capital, enabling additional capital investment in our housing stock over the medium term, assisting in meeting the decent homes target by 2010, whilst also allowing for some discretionary investment in our housing stock.

In June 2010, approval was sought to carry forward resources of £324,300 to fund expenditure re-phased from 2009/10. The sum carried forward related predominantly to the balance of investment required in respect of the transfer of the remaining first point of contact for housing services into the Council's new Customer Service Centre and to fire risk assessments required for the communal areas of the housing stock.

Additional investment of £415,180 was approved as part of the Medium Term Strategy, particularly in respect of anticipated additional costs of responsive and void repairs to the housing stock in 2010/11.

In January 2011, the planned use of reserves for 2010/11 was reduced to £1,506,500, as part of the revised budget process, due to a combination of savings in staff and operational costs and the realisation of more rental income than was anticipated as a result of the timing of the refurbishment of some of the Council's sheltered schemes.

At outturn, the HRA reported a net cost of services of £568,195 and made a contribution to reserves of £520,287. Requests have been made to carry forward funding of £1,156,000 into 2011/12, reflecting re-phasing of a number of projects, but particularly recognising the deferred need to utilise revenue funding to meet capital expenditure in light of slippage in the Housing Capital Investment Programme. The overall use of reserves, therefore, will equate to £635,713, with a net under-spending of £870,787 against the revised budget for the year.

Housing Revenue Account reserves stood at £5.69 million at the year-end.

Capital Spending and Receipts

In 2010/11 the Council spent £10.6 million on capital projects. Of this expenditure £7.1 million was on major repairs and improvements to council dwellings. The other main areas of capital expenditure were:

- Vehicles, plant and equipment - £1.54 million

- Land and other buildings - £0.39 million
- Landscaping and biodiversity projects - £0.21 million

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £3.8 million in the year, of which £1.9 million had to be paid over to central government.

External Borrowing

The Council remained debt-free at 31 March 2011.

Pension Costs

As a result of the Chancellor's announcement in June 2010 that, with effect from 1 April 2011, public service pensions will be up-rated by the Consumer Prices Index (CPI) in place of the Retail Prices Index (RPI) The Council's net liability in relation to the Pension Fund has reduced by £23.5 million. This reduction in liability has been recognised as a past service gain in the Comprehensive Income and Expenditure Statement.

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £60.4 million at 31 March 2011. 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 38 starting on page 63.

Further Information

Further information about the accounts is available from:

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

In addition, interested members of the public have a right to inspect the accounts each year before the audit is completed. The availability of the accounts for public inspection is advertised in the local press and on the Council's web site.

Opinion

In my opinion the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2011 and its income and expenditure for the year then ended.

David Horspool
Director of Resources
Date: 14 September 2011

Signed on behalf of Cambridge City Council:

I confirm that the audited accounts were approved by the Civic Affairs Committee held on the 14 September 2011.

Councillor R A Boyce
Chair of Civic Affairs
Date: 14 September 2011

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 2010/11

(£000s)	**General Fund Balance**	**Earmarked General Fund Reserves**	**Housing Revenue Account Balance**	**Earmarked HRA Reserves**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
Balance at 1 April 2010	**(9,302)**	**(16,965)**	**(5,168)**	**(1,957)**	**(12,155)**	**0**	**(6,173)**	**(51,720)**	**(673,293)**	**(725,013)**
Movement in reserves during 2010/11										
(Surplus) or deficit on the provision of services	(23,576)		57,901					34,325		34,325
Other comprehensive income and expenditure								0	(12,842)	(12,842)
Total Comprehensive Income and Expenditure	**(23,576)**		**57,901**					**34,325**	**(12,842)**	**21,483**
Adjustments between accounting basis and funding basis under regulations (Note 4)	22,675		(58,700)		(610)	(352)	97	(36,890)	36,890	0
Net (increase) / decrease before transfers to earmarked reserves	**(901)**		**(799)**		**(610)**	**(352)**	**97**	**(2,565)**	**24,048**	**21,483**
Transfers to/(from) earmarked reserves (Note 5)	353	(353)	279	(279)				0	0	0
(Increase) / decrease in Year	**(548)**	**(353)**	**(520)**	**(279)**	**(610)**	**(352)**	**97**	**(2,565)**	**24,048**	**21,483**
Balance at 31 March 2011 carried forward	**(9,850)**	**(17,318)**	**(5,688)**	**(2,236)**	**(12,765)**	**(352)**	**(6,076)**	**(54,285)**	**(649,245)**	**(703,530)**

Financial Year 2009/10 (as restated)

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2009	**(12,183)**	**(17,459)**	**(6,057)**	**(1,741)**	**(13,719)**	**0**	**(4,556)**	**(55,715)**	**(683,358)**	**(739,073)**
Movement in reserves during 2009/10										
(Surplus) or deficit on the provision of services	1,675		(24,239)					(22,564)	0	(22,564)
Other comprehensive income and expenditure								0	36,624	36,624
Total Comprehensive Income and Expenditure	**1,675**	**0**	**(24,239)**	**0**	**0**	**0**	**0**	**(22,564)**	**36,624**	**14,060**
Adjustments between accounting basis and funding basis under regulations (Note 4)	1,700		24,912		1,564	0	(1,617)	26,559	(26,559)	0
Net (increase) / decrease before transfers to earmarked reserves	**3,375**	**0**	**673**	**0**	**1,564**	**0**	**(1,617)**	**3,995**	**10,065**	**14,060**
Transfers to/(from) earmarked reserves (Note 5)	(494)	494	216	(216)				0	0	0
(Increase) / decrease in 2009/10	**2,881**	**494**	**889**	**(216)**	**1,564**	**0**	**(1,617)**	**3,995**	**10,065**	**14,060**
Balance at 31 March 2010	**(9,302)**	**(16,965)**	**(5,168)**	**(1,957)**	**(12,155)**	**0**	**(6,173)**	**(51,720)**	**(673,293)**	**(725,013)**

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)							
		2010/11			**2009/10 (as restated)**		
	Notes	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
Central services to the public		8,904	(7,291)	1,613	8,667	(7,048)	1,619
Cultural, environmental, regulatory and planning services		35,715	(14,210)	21,505	36,317	(13,772)	22,545
Highways and transport services		13,099	(10,643)	2,456	8,607	(8,513)	94
Local authority housing (Housing Revenue Account)	**3**	92,849	(32,849)	60,000	10,855	(32,443)	(21,588)
Other housing services		38,316	(34,615)	3,701	36,908	(33,579)	3,329
Corporate and democratic core		2,777	0	2,777	2,974	0	2,974
Non distributed costs	**3**	(22,762)	0	(22,762)	54	0	54
Cost of Services		**168,898**	**(99,608)**	**69,290**	**104,382**	**(95,355)**	**9,027**
Other operating expenditure	**6**	1,946	(1,492)	454	1,563	(956)	607
Financing and investment income and expenditure	**7**	12,595	(24,874)	(12,279)	10,466	(18,129)	(7,663)
Taxation and non-specific grant income	**8**	0	(23,140)	(23,140)	0	(24,535)	(24,535)
(Surplus) or deficit on provision of services	**9**	**183,439**	**(149,114)**	**34,325**	**116,411**	**(138,975)**	**(22,564)**
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	**34**			12,623			(24,772)
Actuarial (gains)/losses on pension assets/liabilities	**38**			(25,465)			61,396
Total Comprehensive Income and Expenditure				**21,483**			**14,060**

Balance Sheet

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

(£000s)	Notes	**31 March 2011**	**31 March 2010 (as restated)**	**1 April 2009 (as restated)**
Property, Plant and Equipment	**16**	612,795	691,941	645,173
Investment Property	**21**	96,834	89,289	80,810
Intangible Assets	**22**	504	513	595
Long Term Investments	**24**	3,294	4,785	5,262
Long Term Debtors	**25**	1,001	1,056	1,824
Long Term Assets		**714,428**	**787,584**	**733,664**
Short Term Investments	**24**	50,587	39,397	51,879
Assets Held for Sale	**26**	0	0	2,022
Inventories		303	369	354
Short Term Debtors	**27**	11,177	16,235	9,987
Cash and Cash Equivalents	**28**	2,557	3,817	4,728
Current Assets		**64,624**	**59,818**	**68,970**
Short Term Creditors	**29**	(8,767)	(9,509)	(11,938)
Receipts in Advance	**30**	(3,424)	(3,221)	(3,835)
Provisions	**31**	(284)	(345)	(466)
Current Liabilities		**(12,475)**	**(13,075)**	**(16,239)**
Other Long Term Liabilities	**38**	(60,425)	(106,193)	(43,573)
Capital Grants Receipts in Advance	**32**	(2,622)	(3,121)	(3,749)
Long Term Liabilities		**(63,047)**	**(109,314)**	**(47,322)**
Net Assets		**703,530**	**725,013**	**739,073**
Usable Reserves	**33**	(54,285)	(51,720)	(55,715)
Unusable Reserves	**34**	(649,245)	(673,293)	(683,358)
Total Reserves		**(703,530)**	**(725,013)**	**(739,073)**

These financial statements replace the unaudited statements authorised for issue on 28 June 2011.

David Horspool
Director of Resources **14 September 2011**

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 from 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 are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

(£000s)	Notes	**2010/11**	**2009/10**
Cash flows from operating activities			
Cash receipts		115,457	109,926
Cash payments		(105,610)	(100,842)
Net cash flows from operating activities	**39**	**9,847**	**9,084**
Net cash flows from investing activities	**40**	(14,369)	(1,279)
Net cash flows from financing activities	**41**	3,262	(8,716)
Net (decrease)/increase in cash and cash equivalents		**(1,260)**	**(911)**
Cash and cash equivalents at the beginning of the year	**28**	3,817	4,728
Cash and cash equivalents at the end of the year	**28**	**2,557**	**3,817**

NOTES TO THE MAIN FINANCIAL STATEMENTS

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in on pages 91 to 105, 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:

- The Council has £5m deposited with Landsbanki Islands hf which is in administration. The Icelandic District Court has ruled that such deposits have preferential status and this is the position reflected in the statement of accounts. However, this decision is being appealed and if the Council was not granted preferential status the amount recoverable would be significantly lower.

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment, excluding assets and liabilities that are carried at fair value based on a recently observed market price, in the forthcoming financial year are as follows:

Pensions Liability

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

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would increase the pension liability by £19.2 million and a 0.5% increase in the rate of increase in pensions would increase the liability by £14.2 million. However, the assumptions interact in complex ways so care should be taken in looking at changes in one variable in isolation.

Property, Plant and Equipment

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

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls. It is estimated that the annual depreciation charge for assets would increase by approximately £775,000 for every year that useful lives had to be reduced.

3 Material Items of Income and Expenditure

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

Revaluation losses of £59.0 million have been charged as expenditure against the local authority (HRA) net cost of service. These primarily result from a downward revision in the proportion of vacant possession value used to calculate the value of the Council's social housing from 46% to 39%. The comparative expenditure figure for 2009/10 includes a credit for reversal of previous revaluation losses of £22.3 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.

A past service gain of £23.5 million has been credited to expenditure against non-distributed costs in net cost of services. This reflects the announcement that from 1 April 2011 public service pensions are to be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). Further details can be found in note 38.

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

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

Financial year 2010/11

(£000s)	Usable Reserves					
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(3,863)					3,863
Net revaluation losses on property, plant and equipment	(3,861)	(59,527)				63,388
Movements in the market value of investment properties	7,582	135				(7,717)
Amortisation of intangible assets	(109)					109
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,926)	(595)				2,521
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(94)	(1,436)				1,530
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private Sector Housing Loan Repayments - original loan less than £10,000	(20)					20
Capital Expenditure charged against General Fund and HRA balances	1,998	1,792				(3,790)

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

(£000s)	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,983	546				(2,529)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	16,280	(1,084)				(15,196)
Employer's pension contributions and direct payments to pensioners payable in the year	4,023	1,084				(5,107)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(41)					41
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	89	(7)				(82)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General Fund under statutory regulation	(6)	6				
Total adjustments	**22,675**	**(58,700)**	**(610)**	**(352)**	**97**	**36,890**

Financial year 2009/10 (as restated)

(£000s)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	Usable Reserves					
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(3,302)					3,302
Net revaluation losses on Property, Plant and Equipment	(2,186)	21,286				(19,100)
Movements in the market value of Investment Properties	2,938	448				(3,386)
Amortisation of intangible assets	(153)					153
Capital grants and contributions applied						0
Movement in the Donated Assets Account						0
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,862)	(439)				2,301
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(245)	(3,386)				3,631
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	(3)					3
Capital Expenditure charged against General Fund and HRA balances	5,449	3,155				(8,604)

(£000s)	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,190	66			(2,256)	
Application of grants to capital financing transferred to the Capital Adjustment Account	1,902	624			639	(3,165)
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		4,484	(4,484)			
Other capital receipts		103	(103)			
Use of the Capital Receipts Reserve to finance new capital expenditure			4,664			(4,664)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,563)		1,563			
Transfer to capital receipts reserve on receipt of loan repayment			(40)			40
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(36)			36
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustment primarily involving the Major Repairs Reserve:						
HRA Depreciation				(7,407)		7,407
Reversal of Major Repairs Allowance credited to the HRA		(2,359)		2,359		
Use of the Major Repairs Reserve to finance new capital expenditure				5,048		(5,048)

(£000s)	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	205	526				(731)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,737)	(477)				6,214
Employer's pension contributions and direct payments to pensioners payable in the year	4,101	889				(4,990)
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	29					(29)
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	(57)	(14)				71
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General Fund under statutory regulation	(6)	6				
Total adjustments	**1,700**	**24,912**	**1,564**	**0**	**(1,617)**	**(26,559)**

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 and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

(£000s)	2009/10 (as restated)				2010/11		
	Balance at 1 April 2009	**Transfers In**	**Transfers Out**	**Balance at 31 March 2010**	**Transfers In**	**Transfers Out**	**Balance at 31 March 2011**
General Fund:							
Asset Repair and Renewals Reserves	(12,457)	(3,427)	3,351	(12,533)	(2,566)	2,104	(12,995)
Insurance Fund	(694)	(785)	632	(847)	(652)	812	(687)
Technology Investment Fund	(239)	(84)	133	(190)	(84)	33	(241)
Commutation Adjustment	(887)	0	887	0	0	0	0
Development Plan Reserve	(85)	(112)	117	(80)	(201)	9	(272)
Compulsory Purchase Order Compensation Reserve	(583)	0	0	(583)	0	0	(583)
Major Planning Appeals Reserve	(23)	(12)	4	(31)	0	0	(31)
Revenue Contributions to Capital	(316)	(209)	0	(525)	0	282	(243)
Other	(2,175)	(669)	668	(2,176)	(1,353)	1,263	(2,266)
Total	**(17,459)**	**(5,298)**	**5,792**	**(16,965)**	**(4,856)**	**4,503**	**(17,318)**
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(1,407)	(252)	36	(1,623)	(260)	57	(1,826)
Shared Ownership Reserve	(300)	0	0	(300)	0	0	(300)
Other	(34)	(6)	6	(34)	(103)	27	(110)
Total	**(1,741)**	**(258)**	**42**	**(1,957)**	**(363)**	**84**	**(2,236)**

6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2010/11		2009/10	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool		1,946	0	1,563
Gains/losses on the disposal of non-current assets	(1,307)		(853)	
Other income	(185)		(103)	
	(1,492)	**1,946**	**(956)**	**1,563**

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

(£000s)	2010/11		2009/10 (as restated)	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges		2		9
Impairment of investments		42		196
Pensions interest cost and expected return on pensions assets	(8,656)	11,558	(5,749)	9,228
Interest receivable and similar income	(793)		(1,313)	
Gains and losses on trading accounts (note 10)	0	0	(343)	0
Income and expenditure in relation to investment properties and changes in their fair value	(15,425)	993	(10,724)	1,033
	(24,874)	**12,595**	**(18,129)**	**10,466**

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

(£000s)	2010/11	2009/10 (as restated)
Council tax income	(6,655)	(6,425)
Non domestic rates	(10,861)	(10,055)
Non-ringfenced government grants	(1,752)	(3,273)
Capital grants and contributions	(3,872)	(4,782)
	(23,140)	**(24,535)**

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 Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The income and expenditure of the Council's principal 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)	2010/11	2009/10(as restated)
Net Expenditure for the year as reported to management		
General Fund		
Community Services		
Arts & Recreation	5,068	4,884
Community Development & Health	3,925	3,725
Housing	2,515	2,137
Environment		
Climate Change & Growth	4,464	4,864
Environmental & Waste Services	6,549	6,560
Strategy & Resources		
Customer Services and Resources	(3,630)	(5,346)
Strategy Services	2,231	4,362
	21,122	**21,186**
Housing Revenue Account		
Housing Management Board	568	(1,154)
	21,690	**20,032**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	44,427	(16,076)
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	3,173	5,071
Cost of Services in the Comprehensive Income and Expenditure Statement	**69,290**	**9,027**

This reconciliation shows how the figures in a subjective analysis of the income and expenditure included in the reports to management relate to a subjective analysis of the Surplus or Deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Financial year 2010/11

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(66,283)				9,985	(56,298)
Interest and investment income	(719)	(43)		(16,404)	(7,708)	(24,874)
Income from council tax		(6,697)		42		(6,655)
Gain on disposal of assets and other capital receipts				(1,492)		(1,492)
Government grants, donations and contributions	(43,485)	(12,438)		(3,872)		(59,795)
Total Income	**(110,487)**	**(19,178)**	**0**	**(21,726)**	**2,277**	**(149,114)**
Employee expenses	19,443			(23,287)	18,081	14,237
Other service expenses	85,018		(4,327)	4,261	(5,068)	79,884
Recharges	16,587				(16,587)	0
Depreciation, amortisation and impairment	11,127			63,388	1,255	75,770
Interest payments	2			11,558	42	11,602
Payments to Housing Receipts Pool				1,946		1,946
Total Expenditure	**132,177**	**0**	**(4,327)**	**57,866**	**(2,277)**	**183,439**
Surplus or Deficit on the provision of services	**21,690**	**(19,178)**	**(4,327)**	**36,140**	**0**	**34,325**

Financial year 2009/10 (as restated)

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(63,996)				8,957	(55,039)
Interest and investment income	(1,166)	(126)		(9,156)	(7,338)	(17,786)
Income from council tax		(6,396)		(29)		(6,425)
Gain on disposal of assets and other capital receipts				(956)		(956)
Government grants, donations and contributions	(41,530)	(12,457)		(4,782)		(58,769)
Total Income	**(106,692)**	**(18,979)**	**0**	**(14,923)**	**1,619**	**(138,975)**
Employee expenses	17,313			(187)	19,968	37,094
Other service expenses	86,020		(3,099)	2,422	(8,783)	76,560
Recharges	14,461				(14,461)	0
Depreciation, amortisation and impairment	8,922			(18,818)	1,657	(8,239)
Interest payments	9			9,424	0	9,433
Payments to Housing Receipts Pool				1,563		1,563
Total Expenditure	**126,725**	**0**	**(3,099)**	**(5,596)**	**(1,619)**	**116,411**
Surplus or Deficit on the provision of services	**20,033**	**(18,979)**	**(3,099)**	**(20,519)**	**0**	**(22,564)**

10 Trading Operations

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

Included within Cultural, environmental, regulatory and planning services

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

(£000s)	2010/11	2009/10
Income	(683)	(669)
Non-current asset impairment reversal	0	(135)
Expenditure	314	312
Surplus	**(369)**	**(492)**

Included in financing and investment income and expenditure

City Services Trading Activities – during 2010/11, as a result of Council reorganisation, the trading operations previously carried out by the City Services department were absorbed directly into client departments. In prior years the expenditure on these operations was allocated to services as part of their net operating expenditure. In 2009/10 total income from these operations was £22.98 million, with expenditure of £22.64 million, leaving a residual surplus of £0.34 million which was reported in Financing and Investment Income. Following the reorganisation there is no equivalent figure in 2010/11.

11 Agency Services

Agency Services provided on behalf of Cambridgeshire County Council were:

(£000s)	2010/11	2009/10
Local Authority Parking Enforcement		
Total costs	0	1,438
Parking charge income	0	(1,256)
Costs reimbursed by the County Council	0	(288)
Net Surplus	**0**	**(106)**
Surplus returned to County Council	100	53
Surplus retained for future transport related expenditure	0	53
On-Street Parking Services		
Net surplus	(1,220)	(1,121)
Surplus reimbursed to County Council	1,220	1,121

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

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

(£000s)	2010/11	2009/10
Highways Functions and Services		
Total costs	178	166
Costs reimbursed	178	166

12 Members' Allowances

The total allowances paid to members during the financial year 2010/11 were £243,694 (£244,165 in 2009/10) as analysed below. Details of payments to individual members are published annually in the local newspaper, copies of which are distributed throughout the city.

(£)	2010/11	2009/10
Basic allowance payments	115,915	116,452
Special responsibility payments	125,614	125,618
Childcare allowance	323	158
Travel and subsistence payments	1,841	1,937
	243,693	**244,165**

13 Related Party Transactions

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

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

Members of the Council have direct control over the Council's financial and operating policies. During 2010/11 the Council gave grants totalling £239,481 (£296,649 in 2009/10) to voluntary organisations in which 10 members had an interest. Of these grants £0 (£3,000 in 2009/10) were unpaid at the year end. The relevant members did not take part in any discussion or decision relating to the grants. In addition one of these organisations has a long term loan from the Council as disclosed in Note 24 to the accounts.

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

14 Employee Remuneration

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

	2010/11	2009/10
£50,000 - £54,999	4	4
£55,000 - £59,999	2	6
£60,000 - £64,999	6	6
£65,000 - £69,999	1	3
£70,000 - £74,999	5	1
£75,000 - £79,999	0	1
£80,000 - £84,999	2	0
£85,000 - £89,999	1	1
£90,000 - £94,999	2	2
£105,000 - £109,999	0	1
£110,000 - £119,999	1	0

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

Financial year 2010/11

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

Note

1 Mr Horspool was appointed Director of Resources with effect from 2 August 2010, prior to that his position was Director of Finance.

2 Mr Payne was appointed Director of Environment with effect from 2 August 2010, prior to that his position was Director of Environment & Planning.

3 Ms Bisset was appointed Director of Customer and Community Services with effect from 2 August 2010, prior to that her position was Director of Community Services.

4 The position of Director of City Services was deleted with effect from 2 August 2010.

5 Mr Limb was appointed Head of Corporate Strategy from 8 November 2010, until 4 March 2011 this was on a secondment arrangement.

Financial year 2009/10

(£) Position / Name	Salary	Allowances & Benefits in Kind	Pension Contribution	Total	Note
Chief Executive (A Jackson)	91,545	51	15,746	107,342	1
Chief Executive (R Hammond)	29,639	196	5,098	34,933	2
Director of Finance (D Horspool)	93,066	883	15,247	109,196	
Director of Environment & Planning (S Payne)	85,406	554	14,690	100,650	
Director of Community Services (L Bisset)	88,646	879	15,419	104,944	
Director of City Services (T Ainley)	78,921	70	13,574	92,565	
Director of Customer & Democratic Services (A Jackson)	16,369		2,816	19,185	3
Interim Director of Customer & Democratic Services (L Terry)				73,125	4
Head of Human Resources (D Simpson)	63,778	53	10,970	74,801	

Note

1 Ms Jackson was appointed to the position of Chief Executive from 10 June 2009.

2 Mr Hammond retired from the position of Chief Executive on 21 June 2009.

3 Ms Jackson held the position of Director of Customer & Democratic Services up to 9 June 2009.

4 Ms Terry was Interim Director of Customer & Democratic Services, between August 2009 and March 2010, on a part time basis working 3 days per week. The total amount shown above was paid to an employment agency.

15 Audit Costs

In 2010/11 Cambridge City Council incurred the following fees relating to external audit and inspection.

(£000s)	2010/11	2009/10
Fees payable to the Audit Commission in respect of:		
External audit services carried out by the appointed auditor	109	110
Fees payable in respect of statutory inspection	0	9
Certification of grant claims and returns	23	22
Fees payable in respect of other services	1	0
	133	**141**

16 Property, Plant and Equipment

Financial year 2010/11

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

Financial year 2009/10 (as restated)

(£000s)	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property, Plant and Equipment
Cost or Valuation							
At 1 April 2009	**580,535**	**116,475**	**12,447**	**959**	**841**	**603**	**711,860**
Transfer opening impairment	(52,262)	(5,262)					(57,524)
Additions	11,154	1,166	3,540	508	117	466	16,951
Revaluation increases/(decreases) recognised in the revaluation reserve	15,890	566					16,456
Revaluation increases/(decreases) recognised in the surplus/deficit on provision of services	21,386	(2,242)				(46)	19,098
Derecognition - disposals	(1,383)		(88)				(1,471)
Assets reclassified (to)/from intangible assets						(32)	(32)
Assets reclassified (to)/from investment properties		(1,664)				(156)	(1,820)
Assets reclassified (to)/from other categories of property, plant and equipment		(101)	693	27	(255)	(365)	(1)
Assets reclassified (to)/from held for sale			(1,537)				(1,537)
At 31 March 2010	**575,320**	**108,938**	**15,055**	**1,494**	**703**	**470**	**701,980**
Accumulated Depreciation and Impairment							
At 1 April 2009	**(52,262)**	**(8,661)**	**(5,478)**	**(147)**	**(139)**	**0**	**(66,687)**
Transfer opening impairment	52,262	5,262					57,524
Depreciation charge	(7,323)	(1,712)	(1,648)	(23)			(10,706)
Depreciation written out to the Revaluation Reserve	7,305	1,011					8,316
Assets reclassified to/from investment properties		112					112
Assets reclassified to/from other categories of property, plant and equipment		158	(270)		114		2
Assets reclassified to/from held for sale			1,315				1,315
Derecognition - disposals	18		67				85
At 31 March 2010	**0**	**(3,830)**	**(6,014)**	**(170)**	**(25)**	**0**	**(10,039)**
Net Book Value							
At 31 March 2010	**575,320**	**105,108**	**9,041**	**1,324**	**678**	**470**	**691,941**
At 31 March 2009	**528,273**	**107,814**	**6,969**	**812**	**702**	**603**	**645,173**

17 Property Plant and Equipment - Revaluations

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

Current year revaluations were carried out externally by:

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

The basis for valuation is set out in the statement of accounting policies on page 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 Appraisal and Valuation Standards prepared by the Royal Institution of Chartered Surveyors. This is because the valuation of the portfolio is such that Bidwells has not been instructed to re-inspect any of the properties. They have therefore relied on information either obtained by them in 1994,1999,2004 and 2009, or subsequently provided by Cambridge City Council in order to reach their conclusions.

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

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

The following table shows the progress of the Council's programme for the revaluation of assets:

(£000s)	**Council Dwellings**	**Other Land and Buildings**	**Total**
Valued at fair value as at:			
31 March 2011	489,598	41,628	531,226
31 March 2010		8,493	8,493
31 March 2009		33,679	33,679
31 March 2008		19,074	19,074
31 March 2007		7,775	7,775
Total Valuation	**489,598**	**110,649**	**600,247**

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

18 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. These are placed into three useful-life bandings. Assets built before 1945 are assessed as having a remaining useful life of 31 years, those built between 1945 and 1974 have a remaining useful life of 41 years and those built from 1974 onwards have a remaining useful life of 51 years.

The useful lives of other assets are estimated as:

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

Under UK GAAP the Council did not depreciate assets with a remaining useful life of more than 50 years. This accounting policy has been revised following the introduction of IFRS so that these assets are now also depreciated. The change in this policy has lead to additional depreciation of approximately £1.3 million being charged in 2010/11 and additional depreciation of approximately £1.4 million would have been charged in 2009/10. The depreciation charged on dwelling stock is reversed at 31 March each year when the housing stock is revalued so this change has no impact on the fair value of the housing stock as recorded in the balance sheet. The revision also has no impact on the Housing Revenue Account Balance so has not been reflected in the 2009/10 comparative figures.

19 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)	**2010/11**	**2009/10**
Opening Capital Financing Requirement	**(3)**	**(1,281)**
Capital Expenditure		
Property, Plant and Equipment	10,520	16,831
Investment Properties	0	3,385
Intangible Assets	76	39
Non-current assets held for sale	0	120
Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure		
Revenue Expenditure Funded from Capital	1,841	1,262
De-minimis capital expenditure	680	1,039
Loans Advanced		
Private Sector Housing Improvement Loans	64	83
Sources of finance		
Capital receipts	(1,253)	(4,664)
Government grants and other contributions	(3,471)	(3,165)
Revenue & reserves	(8,457)	(13,652)
Closing capital financing requirement	**(3)**	**(3)**

20 Capital Commitments

At 31 March 2011, the Council was contractually committed to capital work valued at approximately £5 million, as shown in the following table. Capital expenditure under these contracts will be incurred in 2011/12, apart from £13,000 which it is estimated will be spent in 2012/13.

(£000s)	31 March 2011	31 March 2010
Property, Plant and Equipment		
Public conveniences	3	107
Grafton East car park		53
King George V recreation ground		7
Affordable homes	429	10
Decent Homes capital programme		7
Orchard upgrade		81
Retrofit energy upgrade		116
Development land on Kings Hedges Road	340	587
Environmental improvements	540	
Vie public open space	94	
Oracle Financials server	50	
Sheep's Green canoe house extension	186	
Brandon Court	2,794	
Other works - less than £50,000 per contract	232	233
Investment Properties		
Lion Yard contribution to works		280
Guildhall redevelopment		22
Revenue Expenditure Funded from Capital Under Statute		
Assessment centre	24	310
Disabled Facilities Grants		32
Disabled Adaptions	16	8
	4,708	**1,853**

21 Investment Properties

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

(£000s)	2010/11	2009/10
Rental income from investment property	7,708	7,338
Direct operating expenses arising from investment property	(601)	(517)
Net gain/loss	**7,107**	**6,821**

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 remittance of income and the proceeds of disposal.

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

(£000s)	**2010/11**	**2009/10 (as restated)**
Balance at start of the year	**89,289**	**80,810**
Additions:		
Subsequent Expenditure	0	3,385
Net gains/losses from fair value adjustments	7,717	3,386
Transfers:		
To/from Property, Plant and Equipment	(172)	1,552
Transfers from assets in the course of construction	0	156
Balance at the end of the year	**96,834**	**89,289**

22 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 and 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 £109,000 charged to revenue in 2010/11 relates to specialist software which 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)	2010/11 Software licences	2009/10 Software licences
Balance at the start of the year:		
Gross carrying amounts	828	757
Accumulated amortisation	(315)	(162)
Net carrying amount at start of the year	**513**	**595**
Purchases	76	39
Amortisation for the period	(109)	(153)
Other changes	24	32
Net carrying amount at end of year	**504**	**513**
Comprising:		
Gross carrying amounts	**906**	**828**
Accumulated amortisation	**(401)**	**(315)**

Software purchased in 2010/11 includes specialist software relating to the administration of benefits and cash receipting. The costs will be amortised over the expected life of the software.

23 Leases

Council as Lessee

Finance Leases

The carrying value of investment property held under finance leases was £1,547,000 at 31 March 2011 (£1,547,000 at 31 March 2010.) Secondary lease payments of £2,247 in each of 2009/10 and 2010/11 were accounted for as finance costs. This annual charge will continue until 2035.

Industrial units on this property are leased out under operating leases and the total minimum lease payments are £96,000 at 31 March 2011 (£144,000 at 31 March 2010).

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 £17,269,000 at 31 March 2011 (£19,959,000 at 31 March 2010).

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 2011	31 March 2010
Not later than one year	411	439
Later than one year and not later than five years	820	1,179
Later than five years	248	314
	1,479	**1,932**

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

(£000s)	2010/11	2009/10
Minimum lease payments	427	462

<u>Council as Lessor</u>

Operating Leases

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

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

(£000s)	31 March 2011	31 March 2010
Not later than one year	4,283	4,447
Later than one year and not later than five years	12,489	13,309
Later than five years	99,820	102,469
	116,592	**120,225**

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2010/11 £2,208,180 contingent rents were receivable by the Council (2009/10 £1,559,338).

24 Short-Term and Long-Term Investments

(£000s)	2010/11		2009/10	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic Banks and their UK subsidiaries	3,294	1,955	4,785	785
Other investments	0	48,632	0	38,612
	3,294	**50,587**	**4,785**	**39,397**

Investments in Icelandic Banks and their UK Subsidiaries

Investments included in current assets and long-term assets in the Balance Sheet at 31 March 2011 include the following investments, the values of which have been impaired because of the financial difficulties being experienced by Icelandic banks and their subsidiaries. The impairments reflected in the accounts are based on the latest LAAP guidance issued in May 2011.

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

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

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

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

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

The impairment losses recognised in the Income and Expenditure Account in 2010/11 of £42,000 (2009/10 £196,000) 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)	2010/11		2009/10	
	Heritable Bank Plc	Landsbanki Islands hf	Heritable Bank Plc	Landsbanki Islands hf
Balance Sheet carrying value				
Long Term Investments	514	2,780	1,093	3,692
Short Term Investments	843	1,112	785	0
Increase/(Decrease) in impairment recognised in the I&E account	0	42	(212)	408
Cash received	616	0	1,424	0

The investments in Heritable were originally impaired by £1,244,000 and in Landsbanki by £1,390,000 in 2008/09.

Heritable Bank Plc

Heritable Bank Plc is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. In relation to the 2008/09 statement of accounts the Council decided to recognise an impairment based on recovering 80p in the £. The creditor progress report issued by the administrators Ernst and Young in January 2010 noted a base case return to creditors of 79 to 85 pence in the £. The latest updates from the administrators have not changed this estimate materially. Total dividends paid to date are 60.4% of the claim – including dividends of 6.25% in April 2011 and 4.05% in July 2011. In calculating the current expected recoverable amount impairment the Council has made the following assumptions in respect of the timing of recoveries:

July 2011	5.00%
October 2011	5.00%
January 2012	5.00%
April 2012	5.00%
July 2012	5.00%
October 2012	3.65%

This schedule is based on expected total dividends of 84.98% of the claim. Recoveries are expressed as a percentage of the Council's claim, which includes interest accrued up to 6 October 2008.

Landsbanki Islands hf

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

This rate of recovery was based on the assumption that local council deposits had priority status and would therefore be repaid ahead of any creditors that did not have priority status. This was based on legal advice obtained by local authorities and on announcements made by the banks.

The Icelandic courts have made decisions about the priority status of local council deposits. The Reykjavik District Court issued a verdict on 1 April 2011 confirming that local authorities' claims qualified for priority status under Article 112 of the Icelandic Bankruptcy Legislation. This decision is being appealed to the Icelandic Supreme Court, however the current court ruling confirms the priority stance adopted by the Council.

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

December 2011	22.17%
December 2012	8.87%
December 2013	8.87%
December 2014	8.87%
December 2015	8.87%
December 2016	8.87%
December 2017	8.87%
December 2018	19.47%

This schedule is based on expected total dividends of 94.86 pence in the £.

For the purpose of assessing recoverable amounts the Council has taken the original sum deposited plus interest accrued at the contractual rate to the claim date of 22 April 2009. The District Court decision confirmed this approach.

Deposits with Landsbanki were converted to Icelandic Krona (ISK) on 22 April 2009. The exchange rate at this date was 190.62 ISK per £. Repayments by the banks will be based on the value of the deposit in ISK; the sterling value received by the Council will depend on the prevailing exchange rate, and may therefore be lower than the rate on 22 April 2009. However, most of the assets of Landsbanki are in currencies other than ISK and the amount of ISK that the bank will recover from its creditors will also vary with exchange rate movements. Any net increase or decrease in the repayments received by the Council due to exchange rate movements is not expected to be material.

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

(£000s)	2010/11	2009/10
Heritable Bank Plc	97	148
Landsbanki Islands hf	240	251

The Council took advantage of the Capital Finance Regulations to defer the impact of impairments recognised on these investments in 2008/09 and 2009/10 on the General Fund using the Financial Instruments Adjustment Account. Under the regulations the total impairments recognised in the Comprehensive Income and Expenditure Statement in 2008/09 and 2009/10 have been charged to the General Fund in 2010/11. Changes in the impairment charge from 2010/11 onwards are charged to the General Fund in the year incurred. Further details are available in Note 34.

Further details on the Council's approach to managing credit risks are contained in Note 37.

25 Long-Term Debtors

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

(£000s)	31 March 2011	31 March 2010	1 April 2009
Mortgages	17	39	62
Grand Arcade reverse lease premium	228	233	239
Private sector housing improvement loans	675	690	667
Sale of land at Kings Hedges	30	30	780
Loan Term Loan - Kelsey Kerridge Sports Centre	51	64	76
	1,001	**1,056**	**1,824**

26 Current Assets Held for Sale

(£000s)	2010/11	2009/10 (as restated)
Balance at 1 April	0	2,022
Assets newly classified as held for sale:		
Property, Plant & Equipment	31	222
Assets sold	(31)	(2,244)
Balance at 31 March	**0**	**0**

27 Debtors

(£000s)	31 March 2011	31 March 2010	1 April 2009
Central government bodies	4,021	7,842	3,111
Other local authorities	1,329	1,156	850
NHS bodies	10	31	37
Public corporations and trading funds	3	2	4
Council Tax Payers (City Share)	689	694	608
Council Tax Payers (Precepting Bodies Share)	2,615	2,605	2,637
Housing Tenants and Leaseholders	674	785	474
Trade and Other	1,836	3,120	2,266
	11,177	**16,235**	**9,987**

28 Cash and Cash Equivalents

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

(£000s)	31 March 2011	31 March 2010	1 April 2009
Cash held by the Council	5	12	10
Bank current accounts	302	285	918
Bank deposit account	2,250	3,520	3,800
	2,557	**3,817**	**4,728**

29 Short-Term Creditors

(£000s)	31 March 2011	31 March 2010 (as restated)	1 April 2009 (as restated)
Central government bodies	(956)	(1,607)	(1,191)
Other local authorities	(3,107)	(2,708)	(2,330)
NHS bodies	(1)	0	(33)
Public corporations and trading funds	0	(1)	(1)
Housing tenants and leaseholders	(613)	(609)	(569)
Other entities and individuals	(4,090)	(4,584)	(7,814)
	(8,767)	**(9,509)**	**(11,938)**

30 Receipts in Advance

(£000s)	31 March 2011	31 March 2010 (as restated)	1 April 2009 (as restated)
Cambridge City Council share of Council Tax Receipts	(347)	(354)	(333)
Capital Grants Receipts in Advance	(1,376)	(1,152)	(1,337)
Other	(1,701)	(1,715)	(2,165)
	(3,424)	**(3,221)**	**(3,835)**

31 Provisions

The insurance provision has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However, the actual cost (if any) of individual claims and the timing of payments are uncertain and may be dependent upon the results of negotiation and/or legal action.

Under current insurance arrangements, the Council takes responsibility for meeting the first £10,000 of any liability or motor claim up to a total combined loss in any insurance year of £275,000. For property losses, the Council is responsible for meeting up to £150,000 of claims in respect of General Fund property from the provision and up to £250,000 for HRA property from the HRA. The Council's external insurers meet claims or losses in excess of these amounts.

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

(£000s)	Insurance Provisions	PVCu Provisions	Total
Balance at 1 April 2010	**(205)**	**(140)**	**(345)**
Additional provisions made in 2010/11	(234)		(234)
Amounts used in 2010/11	88		88
Unused amounts reversed in 2010/11	78	129	207
Balance as at 31 March 2011	**(273)**	**(11)**	**(284)**

32 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11:

(£000s)	2010/11	2009/10
Credited to Taxation and Non Specific Grant Income		
Non domestic rates	(10,861)	(10,055)
Revenue Support Grant	(1,577)	(2,321)
Local Authority Business Growth Incentive	0	(80)
Housing Planning Delivery Grant	0	(847)
Area Based Grant	(175)	(25)
Capital Grants and Contributions	(3,872)	(4,782)
	(16,485)	**(18,110)**
Credited to Services		
Concessionary Fares	(1,990)	(660)
Ditching Maintenance	(100)	0
Free Swimming	(8)	(25)
Homelessness Grant	(461)	(457)
Local Support Partnership Grants	(24)	(394)
Council Tax Admin Subsidy	(274)	(312)
Council Tax Benefits Subsidy	(6,360)	(6,046)
Rent Allowance and Rent Rebates Admin Subsidy	(509)	(591)
Rent Allowance Subsidy	(16,138)	(15,317)
Non HRA Rent Rebates Subsidy	(42)	(32)
Rent Rebates Subsidy	(15,705)	(15,447)
	(41,611)	**(39,281)**

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

(£000s)	31 March 2011	31 March 2010 (as restated)
Capital Grants Receipts in Advance		
Due within 12 months	(1,376)	(1,151)
Due in more than 12 months	(2,622)	(3,121)
Total	**(3,998)**	**(4,272)**

33 Usable Reserves

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

34 Unusable Reserves

(£000s)	31 March 2011	31 March 2010 (as restated)	1 April 2009 (as restated)
Deferred Capital Receipts	(97)	(882)	(918)
Revaluation Reserve	(38,185)	(51,353)	(27,038)
Capital Adjustment Account	(672,761)	(731,194)	(703,607)
Financial Instruments Adjustment Account	783	3,312	4,043
Pensions Reserve	60,425	106,193	43,573
Collection Fund Adjustment Account	83	42	71
Accumulated Absences Account	507	589	518
Total Unusable Reserves	**(649,245)**	**(673,293)**	**(683,358)**

<u>Deferred Capital Receipts Reserve</u>

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)	2010/11	2009/10
Balance at 1 April	**(882)**	**(918)**
Transfer of deferred capital receipts credited as part of other income to the Comprehensive Income and Expenditure Statement	35	36
Transfer to the Capital Receipts Reserve upon receipt of cash	750	0
Balance at 31 March	**(97)**	**(882)**

<u>Revaluation Reserve</u>

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

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

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

(£000s)	**2010/11**		**2009/10 (as restated)**	
Balance at 1 April		**(51,353)**		**(27,038)**
Net (gains)/losses on revaluations during the year		12,623		(24,772)
Difference between fair value depreciation and historical cost depreciation	539		452	
Accumulated gains on assets sold or scrapped	6		5	
Amount written off to the Capital Adjustment Account		545		457
Balance at 31 March		**(38,185)**		**(51,353)**

<u>Capital Adjustment Account</u>

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

The Account contains accumulated gains and losses on Investment Properties.

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

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

(£000s)	2010/11	2009/10 (as restated)
Balance at 1 April	**(731,194)**	**(703,607)**
Charges for depreciation and impairment of non-current assets	12,273	10,709
Revaluation losses on Property, Plant and Equipment	63,388	(19,100)
Amortisation of intangible assets	109	153
Revenue expenditure funded from capital under statute	2,521	2,301
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	1,530	3,631
Depreciation in excess of historic cost transfer from revaluation reserve	(539)	(452)
Transfer from revaluation reserve on disposal of non-current assets	(6)	(5)
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,253)	(4,664)
Use of the Major Repairs Reserve to finance new capital expenditure	(4,668)	(5,048)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,339)	(2,526)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,132)	(639)
Repayment of private sector housing loans	56	43
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(3,790)	(8,604)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(7,717)	(3,386)
Balance at 31 March	**(672,761)**	**(731,194)**

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)	2010/11	2009/10
Balance at 1 April	**3,312**	**4,043**
Amortisation of debt redemption premium	(546)	(547)
Movement in fair value of Private Sector Housing Improvement Loans	23	18
Movements in respect of investments in Icelandic Banks	(2,006)	(202)
Balance at 31 March	**783**	**3,312**

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 38.

(£000s)	**2010/11**	**2009/10**
Balance at 1 April	**106,193**	**43,573**
Actuarial gains or losses on pensions assets and liabilities	(25,465)	61,396
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	(15,196)	6,214
Employer's pension contributions and direct payments to pensioner payable in the year	(5,107)	(4,990)
Balance at 31 March	**60,425**	**106,193**

Collection Fund Adjustment Account

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

(£000s)	2010/11	2009/10
Balance at 1 April	**42**	**71**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	41	(29)
Balance at 31 March	**83**	**42**

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)	2010/11		2009/10 (as restated)	
Balance at 1 April		**589**		**518**
Settlement of or cancellation of accrual made at the end of the preceding year	(589)		(518)	
Amounts accrued at the end of the current year	507		589	
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		(82)		71
Balance at 31 March		**507**		**589**

35 Contingent Liabilities and Assets

Contingent Liabilities

Compulsory Purchase Orders

Residential dwellings:

The Council has compulsory purchased two houses, the first in 2003/04 and the second in 2006/07. The obligation to compensate the previous owners arises when the claimant actually claims compensation and such amount is agreed or awarded by the Lands Tribunal.

The claimants have 12 years from the date of purchase to make a claim for compensation and are entitled to the value of land and property, plus interest accrued in accordance with the interest rate set in the Land Compensation Act 1961. The values plus accumulated interest at 31 March 2011 are £583,448.

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

Grand Arcade development:

The Council, on 28 July 2003, made a Compulsory Purchase Order (CPO) to facilitate a new shopping centre in Cambridge. The CPO was confirmed in September 2004 and the land vested in the Council on 5 January 2005. A total of five claims have now been received. Four claims have been settled and one claimant has received an estimated 90% advance payment of compensation. The Council is working to settle this remaining claim.

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

Insurance

During 2005/06 the Council settled a mesothelioma claim brought by the widow of a former employee. The Council's previous insurers Municipal Mutual Insurance (MMI) are currently refuting liability to cover the claim, as they believe that the wording of the employer's liability insurance cover is such that the circumstances were not covered. During 2008 a number of test litigation cases were heard at the High Court and in November 2008 the judge found in favour of the local authorities. The Council has received payment of £180,564 from MMI to settle the claim. The case went to the Court of Appeal and in October 2010 a decision was handed down which meant that Cambridge City Council would be uninsured for any mesothelioma claims where exposure was pre 1974 but would be insured where any exposure was post 1974. The claim brought by the widow of the former employee includes exposure both pre and post 1974, therefore there is a possibility that MMI may seek to apportion that claim for the exposure pre 1974 and seek to recover this part of the claim payment. It is not likely that MMI will take this course of action prior to an appeal to the Supreme Court. No date has been set for this appeal but it is anticipated that a decision will be reached in the 2011/12 financial year.

In 1992/93 the Council's then insurers, MMI, ceased taking new business and are now being managed under a "scheme of arrangement". City Council claims under this arrangement have totalled £1,034,649. It is possible that a proportion of this may need to be repaid or not be receivable by the Council if the scheme of arrangement triggers insolvency, but the amount cannot be quantified at this stage. The balance sheet as at 30 June 2010 shows the total assets of MMI stood at £161 million. MMI are cautiously optimistic that, on the basis of all the information currently known to them, a solvent run-off can be achieved.

Contingent Assets

VAT

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

The above case is still ongoing with no final determination yet as to whether the VAT liability for the provision of off-street car parking by local authorities should be VAT standard rated or classed as 'non-business' (and hence outside the scope of VAT). The Council has submitted, based on the possible final outcome of the case, claims for the repayment of £17.6 million of VAT (net of fees) paid over to HMRC in relation to off-street car parking since the start of VAT in April 1973. As at 31 March 2011 this claim remained outstanding pending the outcome of a further VAT tribunal (a date for which has yet to be set). This Tribunal will be looking at the question of possible distortion of competition if the provision of off-street parking by local authorities was not subject to VAT but that provided by the private sector was.

Compound Interest

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

36 Financial Instruments

Categories of Financial Instrument

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

(£000s)	Long Term		Current	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Investments				
Loans and receivables	3,294	4,785	50,587	39,397
Debtors				
Loans and receivables	773	822	5,183	4,779
Creditors				
Financial liabilities at amortised cost	0	0	(9,140)	(8,875)
	4,067	**5,607**	**46,630**	**35,301**

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)	2010/11		2009/10	
	Financial Liabilities at amortised cost	Financial Assets - Loans and Receivables	Financial Liabilities at amortised cost	Financial Assets - Loans and Receivables
Interest expense	2		9	
Reductions in fair value		47		38
Impairment losses		232		355
Total expense in Surplus or Deficit on the Provision of Services	**2**	**279**	**9**	**393**
Interest Income		(456)		(914)
Interest income accrued on impaired financial assets		(337)		(399)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(793)**	**0**	**(1,313)**

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 2011 of 3.74% (3.08% at 31 March 2010) has been used to calculate the fair value of private sector housing improvement loans
- No early repayment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:

(£000s)	**31 March 2011**		**31 March 2010**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities	(9,140)	(9,140)	(8,875)	(8,875)
Loans and receivables:				
Long Term Debtors	773	773	822	822
Current Debtors	5,183	5,183	4,779	4,779
Long Term Investments	3,294	3,294	4,785	4,785
Current Investments	50,587	50,587	39,397	39,436

37 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 2010/11 the Council made only minor amendments to its investment strategy and these are outlined below.

Credit risk

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

One of the things that the Council seeks to do through the operation of its Treasury Management and Investment Strategy is to minimise its exposure to risks in relation to investments. The policies have only been subject to minor amendments during 2010/11.

The Council has, in general, continued with its suspension of lending to overseas financial institutions or their UK subsidiaries, however the approved counterparty list was amended to include UK subsidiaries of foreign institutions where the parent company also meets the Council's lending criteria and resides in a country with a sovereign rating of AAA.

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 2010/11.

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

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

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 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 2011 these were: a maximum of £12 million with HSBC Bank Plc (the Council's bank), £6 million with other approved counterparties and a maximum of 1.5 times this limit may be invested, in total, with counterparties belonging to the same company group.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to its investments at 31 March 2011 and that any residual risk cannot be quantified.

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

(£000s)	**Maturity Band**				
31st March 2011	**Overdue**	**less than 3 months**	**3 months to 6 months**	**6 months to 1 year**	**Total**
United Kingdom					
Banks	0	8,250	0	0	8,250
Icelandic Bank Subsidiaries	4,000	0	0	0	4,000
Building Societies	0	0	0	0	0
Local Authorities	0	26,500	10,000	6,000	42,500
Iceland					
Banks	5,000	0	0	0	5,000
Total	**9,000**	**34,750**	**10,000**	**6,000**	**59,750**

(£000s)	**Maturity Band**				
31st March 2010	**Overdue**	**less than 3 months**	**3 months to 6 months**	**6 months to 1 year**	**Total**
United Kingdom					
Banks	0	3,520	0	0	3,520
Icelandic Bank Subsidiaries	4,000	0	0	0	4,000
Building Societies	0	5,000	0	0	5,000
Local Authorities	0	22,000	2,500	8,500	33,000
Iceland					
Banks	5,000	0	0	0	5,000
Total	**9,000**	**30,520**	**2,500**	**8,500**	**50,520**

In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts. Provision is also made for material individual debts which the Council believes may not be recoverable. In 2008/09 a bad debt provision was made in relation to income not yet received, for the sale of Folk Festival tickets, from the company Secureticket (UK) Ltd. Which has gone into creditors' voluntary liquidation.

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

(£000s)	31 March 2011		31 March 2010	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	773	0	822	
Current and former tenants	1,366	1,045	1,307	951
Other debtors	3,817	925	5,318	895
	5,956	**1,970**	**7,447**	**1,846**

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 2011	31 March 2010
Balance as at 1 April	1,846	1,872
Increase in allowance for impairment	157	120
Balances written off during the year	(33)	(146)
	1,970	**1,846**

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2011, of the total debtor and deferred debtor balances of £6.0 million (£7.5 million at 31 March 2010), the past due amount was £2.2 million (£2.2 million at 31 March 2010) and can be analysed by age as follows:

(£000s)	31 March 2011	31 March 2010
Customer Debts		
Less than three months	296	335
Three to six months	83	82
Six months to one year	185	167
More than one year	1,675	1,624
	2,239	**2,208**

Liquidity risk

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

All financial liabilities as at 31 March 2011 are due within one year.

Market risk

Interest rate risk

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

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

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

- Investments at fixed rates – the fair value of the assets will fall

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. However, looking back on last year, if interest rates on the bank deposit account had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £38,000 (£40,000 in 2009/10).

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 24.

38 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in:

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

Transactions relating to post employment benefits

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

(£000s)	**Local Government Pension Scheme**	
	2010/11	**2009/10**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	5,178	2,727
Past Service Costs	(23,479)	0
Settlements and Curtailments	203	8
Financing and Investment Income and Expenditure:		
Interest Cost	11,558	9,228
Expected Return on Scheme Assets	(8,656)	(5,749)
Total post employment benefit charged to the surplus or deficit on the provision of services	**(15,196)**	**6,214**
Other post employment benefit charged to the comprehensive income and expenditure statement		
Actuarial gains and losses	(25,465)	61,396
Total post employment benefit charged to the comprehensive income and expenditure statement	**(40,661)**	**67,610**
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	45,768	(62,620)
Employers' contributions payable to the scheme	**5,107**	**4,990**

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £56.3 million (£81.8 million at 31 March 2010.)

Assets and liabilities in relation to post employment benefits

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

(£000s)	2010/11	2009/10
Opening balance at 1 April	**(227,955)**	**(133,978)**
Current Service Cost	(5,178)	(2,727)
Interest Cost	(11,558)	(9,228)
Contributions by scheme participants	(1,707)	(1,731)
Actuarial gains and losses	26,309	(85,248)
Past Service Gains	23,479	-
Benefits paid	6,025	4,660
Estimated unfunded benefits paid	307	305
Curtailments	(203)	(8)
Closing balance at 31 March	**(190,481)**	**(227,955)**

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

(£000s)	2010/11	2009/10
Opening balance at 1 April	**121,762**	**90,405**
Expected return on assets	8,656	5,749
Actuarial gains and losses	(844)	23,852
Employer Contributions	5,107	4,990
Contributions by scheme participants	1,707	1,731
Unfunded benefits paid	(307)	(305)
Benefits paid	(6,025)	(4,660)
Closing balance at 31 March	**130,056**	**121,762**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Cambridgeshire County Council Pension Fund by £23,470,000 and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

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

The actual return for 1 April 2010 to 31 December 2010 was 5.2% and, based on index returns, the actuary estimates a return for the year of 6.4%. The estimated return on the Fund for 2009/10 in market value terms, as reported in the 2009/10 statement from the actuary was 32.5%.

Scheme History

(£000s)	**2010/11**	**2009/10**	**2008/09**	**2007/08**	**2006/07**
Present value of liabilities	(190,481)	(227,955)	(133,978)	(136,833)	(153,765)
Fair value of assets in the Local Government Pension Scheme	130,056	121,762	90,405	109,994	117,503
Surplus/(deficit) in the scheme	**(60,425)**	**(106,193)**	**(43,573)**	**(26,839)**	**(36,262)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £60.4 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 are £4.58 million.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	**2009/10**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	21.0	20.8
Women	23.8	24.1
Longevity at 65 for future pensioners		
Men	22.9	22.3
Women	25.7	25.7
Rate of inflation	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.0%	25.0%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.0%	63.0%

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

	31 March 2011	31 March 2010
	%	**%**
Equity investments	73	72
Bonds	15	15
Property	8	8
Cash	4	5
Total	**100**	**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

%	2010/11	2009/10	2008/09	2007/08	2006/07
Difference between the expected and actual return on assets	(0.6)	19.6	(31.8)	(15.1)	1.0
Experience gains and losses on liabilities	0.1	(0.1)	0.3	1.0	0.2

39 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2010/11	2009/10
Housing rents	15,238	15,146
Revenue Support Grant	1,577	2,321
Council share of national non-domestic rates from national pool	10,861	10,056
Housing Benefit Subsidies	31,642	31,846
Council share of Council Tax receipts	6,761	6,462
Cash paid to and on behalf of employees	(34,840)	(36,224)
Payments to the capital receipts pool	(2,224)	(1,061)
Housing Benefit paid	(16,494)	(15,586)
Interest received	(911)	(1,630)
Interest paid	2	2
Other operating cash flows	(1,765)	(2,248)
	9,874	**9,084**

40 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2010/11	2009/10
Purchase of property, plant and equipment, investment property and intangible assets	(11,901)	(21,407)
Purchase of short-term and long-term investments	(203,800)	(261,755)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,849	4,399
Proceeds from short-term and long-term investments	193,916	274,179
Other receipts from investing activities	3,567	3,305
	(14,369)	**(1,279)**

41 Cashflow Statement – Financing Activities

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

42 First time adoption of International Financial Reporting Standards

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the 2009/10 Statement of Accounts.

The following notes explain the material differences between the amounts presented in the 2009/10 accounts and the equivalent amounts presented in 2010/11.

Short-term accumulating compensated absences

Short-term accumulating compensating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at the 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Adjustment Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 accounts:

(£000s)	**Balance Sheet**			
	1 April 2009 - as previously reported	**Adjustments Made**	**31 March 2010 - as previously reported**	**Adjustments Made**
Creditors	(12,763)	(518)	(10,327)	(589)
Short Term Accumulating Absences Adjustment Account	0	518	0	589

(£000s)	2009/10 - as previously reported	Adjustments Made
Central Services to the public	1,590	28
Cultural, Environmental, Regulatory and Planning Services	21,907	379
Highways and Transport Services	(60)	3
Housing Revenue Account	(22,333)	115
Other Housing Services	2,429	45
Corporate and Democratic Core	2,887	11
Surpluses on trading undertakings - now included in financing and investment income and expenditure	(4,808)	8

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as finance lease; or as a finance lease where it was previously treated as an operating lease.

The council has three properties where the separation of the land and buildings elements of the leases has resulted in a change in accounting treatment for the land element. This element is now accounted for as an operating lease so the land values are no longer reflected in the Council's accounts. This has resulted in a reduction in the value of Property, Plant and Equipment of £5,935,000 at 1 April 2009 and £5,510,000 at 31 March 2010, with corresponding entries in the Capital Adjustment Account. A revaluation loss of £425,000 charged to Cultural, Environmental, Regulatory and Planning services in 2009/10 has also been reversed.

In addition, the review of leases for IFRS has resulted in a change in accounting treatment for the Junction. This was originally held in the balance sheet as an investment property at 1 April 2009 at £215,000. This has been reclassified as property, plant and equipment at 1 April 2009 and revalued to £13,929,000. The increase in carrying value has been credited to the revaluation reserve. Depreciation of £282,000 has been charged to Cultural, Environmental, Regulatory and Planning services in 2009/10 giving a carrying value of this asset of £13,647,000 at 31 March 2010.

Non-current assets held for disposal

A number of assets previously held under UK GAAP as surplus for disposal do not meet the definition of non-current assets held for disposal under the IFRS based code. Therefore, £5,934,000 of assets at 1 April 2009 have been transferred from surplus held for disposal as previously reported, £5,779,000 to property plant and equipment and £155,000 to investment properties. Capital expenditure of £120,000 on one of these assets in 2009/10 has also now been transferred to property, plant and equipment.

Investment Properties

Under the Code, movements in the value of investment properties are now shown in the Comprehensive Income and Expenditure Statement as financing and investment income. Previously changes in value were credited or charged to the revaluation reserve or to the income and expenditure account as appropriate.

The balance on the revaluation reserve at 1 April 2009 in respect of investment properties of £2,616,000 has been transferred to the capital adjustment account.

Movements in the value of investment properties in 2009/10 have been adjusted as follows.

(£000s)	2009/10 as previously reported	Adjustments Made
Comprehensive Income and Expenditure Statement		
Cultural, Environmental, Regulatory and Planning Services	21,907	(83)
Local Authority Housing	(22,333)	108
Surplus on Trading Operations	(4,808)	(816)
Financing and Investment Income	-	(3,386)
Balance Sheet		
Revaluation Reserve	(44,713)	4,177
Capital Adjustment Account	(717,905)	(3,386)

There is no change to the balance on the General Fund, as any movements in the value of investment properties reflected in income and expenditure are transferred out of the General Fund under both the previous and current accounting policies.

Capital grants and contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The credit balance on the Capital Contributions Deferred Account at 31 March 2009 of £10,419,000 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of capital contributions deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- A number of contributions were received or their conditions fulfilled in 2009/10 and applied to finance capital expenditure. Following the change in accounting policy these have been recognised and transferred to the capital adjustment account within the reserves section of the balance sheet.
- A number of contributions were received or their conditions fulfilled in 2009/10 but they were not used. Previously, no income was recognised in respect of these grants, which were shown in the grants unapplied account within the liabilities section of the balance sheet. Following the change in accounting policy, the grants have been recognised in full, and transferred to the capital grants unapplied account within the reserves section of the balance sheet.
- Capital grants and contributions whose conditions have not yet been met have been transferred from creditors (both due within one year and in more than one year) to receipts in advance (due within one year and in more than one year).

This has resulted in the following changes being made to the 2009/10 accounts.

(£000s)	2009/10 as previously reported	Adjustments Made
Comprehensive Income and Expenditure Statement		
Central services to the public	1,590	26
Cultural, environmental, regulatory and planning services	21,907	462
Highways and transport services	(60)	154
Local authority housing	(22,333)	6
Other housing services	2,429	894
Corporate and democratic core services	2,887	12
Taxation and non-specific grant income	(19,753)	(4,782)
Balance Sheet		
Capital Contributions deferred	(12,008)	12,008
Grants unapplied account (liabilities)	(6,173)	6,173
Capital Adjustment Account	(717,905)	(12,008)
Grants Unapplied account (reserves)	0	(6,173)

There is no change to the General Fund balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

Revenue grants

The change in accounting policy for revenue grants means that £374,000 of grants recognised in creditors and receipts in advance at 31 March 2009 would have met the criteria to be recognised as income prior to this date. At 1 April 2009 these balances have been transferred to earmarked reserves. A net movement on these earmarked reserves of £21,000 in 2009/10 is reflected in the restated accounts.

43 Prior Period Adjustments (non-IFRS)

In addition to the adjustments made to reflect the move to IFRS, the following other adjustments have been made to the 2009/10 statements as previously presented:

Expenditure of £1,432,000 previously netted off income is now grossed up in the HRA Income and Expenditure Statement. This adjustment has no overall impact on the net cost of HRA services.

The HRA share of Corporate and Democratic Core costs of £74,000 in 2009/10 were shown within Supervision and Management. These are now separately identified.

A review of current cost pension adjustments for 2009/10, following the reorganisation of the former City Services department, has identified that £407,000 of current service cost is more appropriately reflected in the HRA than within cultural, environmental, regulatory and planning services. This adjustment has been made in the Statement of Comprehensive Income and Expenditure.

These adjustments have no impact on General Fund or HRA balances.

44 Heritage Assets – Impact of the adoption of the new standard on the financial statements – effective for the 2011/12 financial year

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the accounts as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 accounts. However, the Council is required to make disclosure of the estimated effect of the new standard in these accounts. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's balance sheet in the 2011/12 accounts.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are a number of items of civic regalia. These are not currently recognised in the financial statements.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements, including the 2010/11 comparative information. The Council anticipates that it will be able to recognise the civic regalia on the balance sheet using as its base a detailed insurance valuation which is based on market valuation.

The amount to be recognised is not expected to be material.

45 Date the Statement of Accounts were authorised for issue

The audited Statement of Accounts were authorised for issue by the Director of Resources on 14 September 2011. This is the date up to which events after the balance sheet date have been considered.

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	**2010/11**	**2009/10 (as restated)**
Income			
Dwelling rents	**2**	(28,330)	(27,902)
Non-dwelling rents		(839)	(858)
Charges for services and facilities		(2,855)	(2,841)
Contributions towards expenditure		(805)	(816)
Reimbursement of costs		(20)	(26)
Total		**(32,849)**	**(32,443)**
Expenditure			
Repairs & Maintenance		5,874	5,516
Supervision & Management		6,848	7,093
Rents, rates, taxes & other charges		254	257
Depreciation & impairment		68,018	(13,440)
Negative HRA Subsidy	**3**	11,733	11,285
Increased provision for bad debts		122	144
Total		**92,849**	**10,855**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**60,000**	**(21,588)**
HRA services share of Corporate and Democratic Core		183	74
HRA Services share of Non Distributed Costs		514	0
Net Cost of HRA Services		**60,697**	**(21,514)**
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		(1,367)	(1,098)
Other income		(185)	(103)
Interest and Investment Income		(456)	(834)
Capital Grants and Contributions Receivable		(788)	(690)
(Surplus)/Deficit for the year on HRA services		**57,901**	**(24,239)**

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	**2010/11**	**2009/10 (as restated)**
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		**57,901**	**(24,239)**
Adjustments between accounting basis and funding basis under statute			
Gain or loss on sale non-current assets		1,367	1,098
Other capital receipts		185	103
Impairment of financial instruments		0	(21)
Net revaluation losses on property, plant and equipment		(59,527)	21,286
Revenue expenditure funded from capital under statute and de-minimis capital expenditure		(595)	(439)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		0	66
Application of grants to capital financing transferred to the Capital Adjustment Account		788	624
Movement in investment property value		135	448
Movement in short term accumulating absences		(7)	(14)
Net charges made for retirement benefits made in accordance with IAS19		(1,084)	(477)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund		1,084	889
Difference between amortisation of debt redemption premium determined in accordance with the Code and those determined in accordance with statute	**5**	546	547
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		6	6
Capital Expenditure funded by the Housing Revenue Account	**8**	1,792	3,155
Transfer from the Major Repairs Reserve	**10**	(3,390)	(2,359)
Net increase or decrease before transfers to or from reserves		**(799)**	**673**
Transfers to reserves		279	216
Total movement on Housing Revenue Account for the year		**(520)**	**889**
Housing Revenue Account balance brought forward		**(5,168)**	**(6,057)**
Housing Revenue Account balance carried forward		**(5,688)**	**(5,168)**

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 the discretion to fund any deficits from the General Fund. Transfers from the General Fund can only be made at the direction of the Secretary of State.

2 Gross Rent

This represents income receivable in respect of all dwellings within the HRA, gross of rent rebates and net of rents not payable when properties are empty. As at 31 March 2011, 1.23% of properties were vacant (1.78% at 31 March 2010).

The average rent payable in 2010/11 was £81.39 per week based on 48 payable rent weeks (£75.13 per week on a 52 week basis). The average rent payable in 2009/10 was £80.06 per week based on 48 payable rent weeks (£73.90 per week on a 52 week basis).

3 Housing Revenue Account Subsidy Payable

Following removal of rent rebates from the Housing Revenue Account to the General Fund with effect from 1 April 2004 the Council is now required to pay Housing Revenue Account Subsidy to central government to match the surplus on the notional HRA.

The Council’s HRA subsidy payable for 2010/11 was calculated as follows:

(£000s)	**2010/11**	**2009/10**
Management and maintenance	11,687	11,279
Capital charges	658	797
	12,345	**12,076**
Notional rent	(29,101)	(28,284)
Interest on receipts	(1)	(5)
	(16,757)	**(16,213)**
Major Repairs Allowance	5,020	5,048
Subsidy Paid in Year	**(11,737)**	**(11,165)**
Adjustment to subsidy required in future years	(2)	(130)
Estimated adjustment to subsidy for prior year	130	159
Actual adjustment to subsidy for prior year	124	(159)
Negative subsidy included in HRA Summary	**(11,485)**	**(11,295)**

4 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2011	1 April 2010	2010/11	2009/10
Dwellings	489,598	487,776	8,310	7,323
Other Land and Buildings	7,561	5,015	80	75
Infrastructure	765	745	20	8
Investment Properties	4,297	4,162	0	0
Non-current assets held for sale	0	0	0	0
	502,221	**497,698**	**8,410**	**7,406**

The value of council dwellings at 1 April 2010, based on vacant possession, was £1,581 million (2009/10: £1,148 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.

The proportion of vacant possession value used to calculate the value of the Council's social housing was revised with effect from the 1 April 2010 from 46% to 39% reducing that fair value of dwellings by £87.5 million from their fair value of £575.3 million at 31 March 2010.

Net revaluation losses on Property, Plant and Equipment of £59.5 million have been charged to the Comprehensive Income and Expenditure Statement in 2010/11 (net gains of £21.3 million in 2009/10). These net revaluation losses include £65.4 million of the loss resulting from the revision of the social housing percentage at 1 April 2010 and other net revaluation gains of £5.9 million resulting from revaluations at 31 March 2011. Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

De-minimis capital expenditure of £594,000 (2009/10 £434,000) and revenue expenditure funded from capital under statute of £1,300 (2009/10 £5,000) has been written off during 2009/10.

5 Loan Interest Charges

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

6 Housing Stock

The Council was responsible for an average stock of 7,368 dwellings during the year. The stock as at 31 March 2011 was as follows:-

	31 March 2011	31 March 2010
Houses & bungalows	3,702	3,711
Flats	3,060	3,064
Sheltered housing units	528	589
Shared ownership properties	40	41
Total	**7,330**	**7,405**

The change in stock during the year can be summarised as follows:

Stock at 1 April	**7,405**	**7,429**
Right to buy sales	(17)	(13)
Net shared ownership changes	(1)	(1)
New properties	5	0
Other changes	(62)	(10)
Stock at 31 March	**7,330**	**7,405**

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

7 Rent Arrears

Rent arrears at 31 March 2011 were £1,329,252 (£1,267,954 at 31 March 2010) and as a proportion of gross rent income have increased from 4.15% in 2009/10 to 4.29% in 2010/11.

At 31 March 2011 a provision for bad debt of £1,044,879 was held in the balance sheet (£951,442 at 31 March 2010).

8 Financing of Capital Expenditure

(£000s)	**2010/11**	**2009/10**
Capital receipts	1,036	3,657
Major repairs reserve	4,668	5,048
Revenue financing of capital	1,792	3,155
Capital contributions and grants	816	623
	8,312	**12,483**

Capital expenditure in the year was all in relation to HRA stock apart from £39,000 (£412,000 in 2009/10) which was spent on HRA infrastructure assets, £48,221 on other land and buildings (£0 in 2009/10) ,£0 on investment properties (£11,000 in 2009/010), and £565,000 (£268,000 in 2009/10) on assets in the course of construction.

9 Capital Income within the HRA

(£000s)	2010/11	2009/10
Dwellings	2,876	2,539
Land	132	509
	3,008	**3,048**

10 Major Repairs Reserve (MRR)

(£000s)	2010/11	2009/10
Balance at 1 April	**0**	**0**
Transfer to MRR during the year	(8,410)	(7,407)
Amount transferred from MRR to HRA	3,390	2,359
HRA capital expenditure on housing charged to MRR	4,668	5,048
Balance at 31 March	**(352)**	**0**

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 Restatement of comparative year

As detailed in note 42 to the main financial statements there have been a number of changes to the 2009/10 comparative figures as a result of the introduction of IFRS. The HRA Income and Expenditure Account has been affected as follows:

Increases in the value of investment properties of £108,000 previously reflected in depreciation and impairment and £340,000 previously reflected in the revaluation reserve are now recorded as investment and other income. Investment rental income of £282,000 previously recorded within other income is also now included in investment and other income.

The portion of capital contributions deferred income of £6,000 previously recognised within depreciation and impairment has been removed. Capital contributions received of £690,000 have been recognised.

A 2009/10 increase of £14,000 in the accrual for untaken leave, time off in lieu and flexitime has been recognised within management and supervision costs.

Following the changes to revenue grant recognition an additional £2,000 has been credited to earmarked reserves in the Statement of Movement on the HRA and reflected in supervision and management costs.

Additional changes to prior year comparatives are as outlined in note 43 to the main financial statements.

Collection Fund

This shows the transactions in relation to the collection of Council Tax and National Non-Domestic Rates (NNDR). The account shows how the amounts collected have been distributed to Cambridgeshire County Council, Police and Fire Authorities and to the City Council's General Fund as well as to the NNDR Pool.

(£000s)	Notes	**2010/11**	**2009/10**
Income and Expenditure Account	**1**		
Income			
Council Tax	**2**	(57,963)	(55,736)
National Non-Domestic rates	**3**	(79,261)	(76,047)
Contributions towards previous year's estimated Collection Fund deficit			
Cambridge City Council		0	(47)
Cambridgeshire County Council		0	(297)
Cambridgeshire Police Authority		0	(48)
Cambridgeshire Fire Authority		0	(16)
		(137,224)	**(132,191)**
Expenditure			
Precepts and demands:			
Cambridge City Council		6,697	6,443
Cambridgeshire County Council		42,126	40,332
Cambridgeshire Police Authority		6,817	6,530
Cambridgeshire Fire Authority		2,327	2,233
Allowable costs of NNDR collection		238	242
Payment to NNDR Pool	**3**	79,023	75,805
Provision for non-payment of Council Tax	**4**	357	354
		137,585	**131,939**
(Surplus)/Deficit for the Year	**5**	**361**	**(252)**
(Surplus)/Deficit as at 1 April		**360**	**612**
Deficit as at 31 March	**5**	**721**	**360**

Notes to the Collection Fund

1 General

This statement shows the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts for income relating to Council Tax and NNDR on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of collection are accounted for in the General Fund.

2 Council Tax

Under the arrangements for Council Tax, each domestic property within the Council's area is assigned to one of eight 'valuation bands' (A to H) based on the estimated price it would have achieved if it had been sold at 1 April 1991. The Council Tax is set for band D properties and the tax for other bands is calculated as a proportion of the band D tax. The band D Council Tax for the year ended 31 March 2011 was set at £1,441.78, made up as follows:

(£s)	**2010/11**	**2009/10**
Cambridge City Council	166.57	162.51
Cambridgeshire County Council	1,047.78	1,017.27
Cambridgeshire Police Authority	169.56	164.70
Cambridge Fire Authority	57.87	56.34
Total	**1,441.78**	**1,400.82**

The following table shows the calculation of the Council Tax Base for 2010/11 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2010/11

Valuation Band	**Total number of dwelling on the Valuation List**	**Total Equivalent Dwellings (after discounts, exemptions etc)**	**Ratio to Band D**	**Band D Equivalents**
A	2,844	2,100	6/9	1,400
B	9,300	7,405	7/9	5,760
C	17,263	14,867	8/9	13,215
D	8,310	7,108	9/9	7,108
E	4,687	4,067	11/9	4,971
F	3,003	2,613	13/9	3,775
G	2,791	2,291	15/9	3,817
H	432	246	18/9	492
Total	**48,630**	**40,697**		**40,538**

The income of £57.96 million in 2010/11 was receivable from the following sources:

(£000s)	2010/11	2009/10
Billed to Council Tax payers	51,660	49,731
Transfer from General Fund - Council Tax benefits	6,282	5,982
Ministry of Defence Contributions in Lieu	21	23
	57,963	**55,736**

3 National Non-Domestic Rates Income

Under the arrangements for business rates, the council collects non-domestic rates for its area, based on local rateable values multiplied by a nationally set business rate. This amount, less certain allowances and other deductions, is paid into the NNDR Pool, which pays back to authorities a share of the pool based on a standard amount per head of population.

The local rateable value as at 31 March 2011 was £258,788,456 (£212,476,285 at 31 March 2010) and the Uniform Business Rate in 2010/11 was set by the government at 41.4p (2009/10, 48.5p).

4 Provision for Non-Payment of Council Tax

A contribution of £357,723 (£353,568 in 2009/10) was made to a provision for bad debts. During 2010/11, £103,147 of irrecoverable debts were written off (2009/10 £85,977).

5 Collection Fund Surpluses and Deficits

The deficit of £721,208 at 31 March 2011 (£359,933 deficit at 31 March 2010), which related to Council Tax, will be recovered in subsequent financial years from Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

The total Collection Fund deficit is therefore shared as follows:

(£000s)	31 March 2011	31 March 2010
Cambridge City Council	83	42
Cambridgeshire County Council	524	261
Cambridgeshire Police Authority	85	42
Cambridgeshire Fire Authority	29	15
	721	**360**

Statement of Accounting Policies and Glossary of Financial Terms and Abbreviations

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

2 Accruals of Income and Expenditure

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

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

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

3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4 Changes in Accounting Policies and Estimates and Errors

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

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

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

5 Charges to Revenue for Non-Current Assets

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

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

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

6 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

The Local Government Pension Scheme

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

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

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

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

7 Events after the Reporting Period

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

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

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

8 Exceptional Items

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

9 Financial Liabilities

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

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

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

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

10 Financial Assets

Financial assets are classified into two types:

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

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

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

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

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

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

11 Government Grants and Contributions

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

- The Council will comply with the conditions attached to the payments, and

- The grants or contributions will be received

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

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

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

12 Intangible Assets

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

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

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

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

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

13 Inventories

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

14 Investment Properties

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

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

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

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

15 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

17 Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

<u>Impairment</u>

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

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

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

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

<u>Disposals</u>

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

Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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 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.

19 Reserves

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

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

20 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.

21 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 in excluded from income.

Glossary of Financial Terms and Abbreviations

Accounting Period

The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Amortisation

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

Capital Expenditure

Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Receipt

Income from the sale of capital assets such as council houses, land or other buildings.

Cash Equivalents

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

Contingent Liabilities

Potential liabilities which are either dependent on a future event or cannot be reliably estimated.

Creditors

Amounts owed by the Council at 31 March for goods received or services rendered but not yet paid for.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Debtors

Amounts owed to the Council which are collectable or outstanding at 31 March.

Depreciation

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

Effective rate of interest

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Equity instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (e.g. an equity share in a company.)

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Finance Lease

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

Financial Asset

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

Financial Liability

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

Financial Instrument

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

Government Grants

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

Impairment

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Non-current assets

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

Operating Lease

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Outturn

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

Precepts

The amount which a local council which cannot levy a council tax directly on the public (for example a County Council or Police Authority) requires to be collected on its behalf.

Provisions

Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

Reserves

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

Revenue Expenditure

Spending on day to day items including employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded From Capital Under Statute

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

Revenue Support Grant

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

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. This specifies the principals and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of a local authority.

Abbreviations used in the accounts

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