

**Statement of Accounts
for year ended
31 March 2006**

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Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority 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 authority, that officer is the Finance and Resources Director;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The responsibilities of the Finance and Resources Director

The Finance and Resources Director is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), which is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

In preparing this Statement of Accounts, the Finance and Resources Director has:

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

The Finance and Resources Director 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.

The Statement of Accounts presents fairly the financial position of the Authority at 31st March 2006 and its income and expenditure for the year then ended.

G.J.Harlock, CPFA
Chief Executive and Chief Finance Officer

Dated: 22nd June 2006

I confirm that these accounts were approved by the Audit Panel held on the 30th June 2006.

Councillor Mark Howell
Chairman of the Audit Panel

Dated: 30th June 2006

Auditors' report

Statement on Internal Control

Scope of Responsibility

South Cambridgeshire District Council (the 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. The 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, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 the 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 system of internal control has been in place at the Council for the year ended 31 March 2006 and up to the date of approval of the annual accounts.

The Internal Control Environment

The Council's internal control environment is a system of financial regulations, administrative procedures, management information, and delegation and accountability. The system is monitored by both External Audit and the Council's Internal Audit provider. The key elements of the Council's internal control environment are as follows:

- the Council's Constitution, which sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable. It details what is expected of Heads of Service for the administration of services under their control, which includes the prevention and detection of fraud;
- the Council has adopted the vast majority of the recommendations made within the CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives) framework documents and will continue to monitor these arrangements to ensure that proper procedures are in place for the effective governance of the Council's affairs and the stewardship of the resources at its disposal;
- the Risk Management Strategy explains the Council's attitude to risk, documents the process and responsibilities for managing risk throughout the Council, including risk registers at strategic and service level and identifies reporting procedures. Risk registers at the operational level and associated action plans are part of the Risk Management Group's work programme for 2006/07;

- decision-making authority is delegated to Cabinet Members and Officers in the interests of efficiency where it is consistent with accountability and openness. Key decisions are taken at meetings of the Council or Cabinet and are published in a forward plan;
- the Scrutiny and Overview Committee has no decision-making powers but monitors the performance of the Executive and scrutinises services and policies throughout the Council. The Committee also appoints the Audit Panel, which considers the reports of the Council's auditors. The Chairman or any five Councillors can call in for review by the Scrutiny and Overview Committee any decision made by the Cabinet or by individual Portfolio Holders. Scrutiny and Overview Committee meetings are open to the public;
- the Monitoring Officer (Head of Legal Services) maintains an up to date version of the Constitution and ensures that decision-making is fair and lawful. Advice from the Monitoring Officer and/or the Finance and Resources Director should be taken on whether any decisions are outside the budget and policy framework;
- the Finance and Resources Director ensures the legality and prudence of financial decision-making, and is the officer responsible for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972;
- the financial planning framework seeks to ensure that the Council's financial resources are allocated in accordance with its objectives, policies and plans on both an annual and a medium term basis. The main components of the framework are the revenue budget, capital programme, and the medium term financial strategy;
- the Council's Internal Audit provider operates to the standards as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2003. They are responsible for monitoring the quality and effectiveness of the Council's system of internal control;
- External Audit reviews the system of internal control both in their own reports and by monitoring actions against Internal Audit recommendations. This is reported to the Council in their annual audit letter and other reports;
- the Council has an effective performance management system. The performance plan identifies priorities for 2006/2007 and gives a focus for service delivery and budget setting; and
- all posts within the Council have a detailed job description and person specification to ensure that staff are suitably qualified to undertake their responsibilities. Training needs are identified by the Council's appraisal scheme.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the Internal Audit provider, the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also comments made by the external auditors and other review agencies and inspectorates.

From the work undertaken in 2005/06, Internal Audit has provided satisfactory assurance that the internal controls are fundamentally sound and accord with proper practice. Furthermore, Internal Audit's opinion is that the Council's corporate governance framework complies with the vast majority of the best practice guidance issued by CIPFA/SOLACE.

These both take into account the following factors:

- the Audit Commission's Comprehensive Performance Assessment (CPA) undertaken during 2003/04. The Council's overall performance achieved a 'fair' rating, with a score of 15 out of 20 in respect of its financial services;
- the Benefit Fraud Inspectorate's review of 2004/05 found that the Council's performance was fair;
- a review of the Council's compliance with the CIPFA/SOLACE Corporate Governance Framework;
- the Use of Resources assessments carried out by the Council's External Auditors resulted in an overall score of 2 out of 4. According to the definition on the scale established by the Audit Commission, this means that the Council is "At only minimum requirements which equates to adequate performance. A level 2 would be achieved where appropriate arrangements were considered to be in place, but could not yet be demonstrated to be embedded in the culture of the Council and operating effectively." The area of internal control scored 2 out of 4, as did the areas of financial management, financial standing and value for money, whilst the area of financial reporting scored 3 out of 4;
- embedding risk management within the culture is a lengthy process, and continuing to improve the management information in the form of risk registers and reporting of risks and control will assist this process. Risk management was reviewed by Internal Audit during the year, and was taken account of in the Use of Resources assessments.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control also includes:

- the Council's Scrutiny and Overview Committee and Audit Panel by reviewing the adequacy of internal controls and monitoring the performance of internal audit;
- the Monitoring Officer, who reviews the operation of the Constitution;
- regular performance management and budgetary control reports to both senior management, Cabinet and individual Portfolio Holders; and
- External Audit by expressing an opinion on the adequacy of internal audit work.

Significant Internal Control Issues

The review of the effectiveness of the system of internal control has identified some internal control issues, which are shown below along with the action plans that are in place to address them and ensure continuous improvement of the system:

No.	Issue	Action
1.	The Council is in the process of implementing the Transformation Project to reduce the Management Team from four to two, restructure departments and complete business process reviews of all services in order to achieve the savings set out in the medium term financial strategy. The reduction in management capacity and discontinuity caused by introducing substantial changes may give rise to an increased risk to the system of internal control.	The Project is the remit of the Transformation Committee, is being managed by the new Management Team with consultation with second tier officers and communication to all staff. Work has already commenced on restructuring departments and revising the scheme of delegation to second tier officers. External Audit will continue to assess the impact of the Project on the Council's overall performance management arrangements.
2.	The Council has established a contact centre in partnership with the Cambridgeshire County Council. As a result, County Council employees are the initial contact for enquiries, etc. A formal protocol describing the information sharing arrangements and ICT procedures for access to systems are to be drawn up.	The contract will be reviewed in due course and negotiations with Cambridgeshire County Council and Cambridgeshire Direct will take place accordingly. New ICT procedures for access will be implemented.
3.	Lack of regular reconciliations of key feeder systems to the general ledger.	Every effort will be made to ensure that key financial systems are reconciled to the general ledger on a monthly basis, although the lack of staffing resources may not allow this to be achieved at peak times.
4.	There is a need for the Council to continue to develop and embed the risk management function across the organisation.	Action plans in respect of the operational level risk registers will be produced and targets will be applied regarding the implementation of the agreed actions.
5.	Reductions in the responsive repairs budget have been identified and planned maintenance commitments and payments need to be input on the Orchard repairs system so that the system gives complete management information.	The establishment of a steering group to manage the budget reductions is imminent with the delay being due to the difficulty in recruiting at management level. The input of planned maintenance information on Orchard has been assigned to an officer for completion by September 2006.

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

6.	Improvement of controls derived from the segregation of key functions or activities and increase in the number of internal audits with only limited assurance.	In a small organisation like South Cambridgeshire District Council, it is not always possible to improve internal control by segregating key parts of its operations. This situation is not helped by the Government's decision to cap the Council, which has led to a reduction in staff resources. However, the Council will review current arrangements and where possible, seek to segregate key functions as far as is possible for a small organisation and to improve internal controls.
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G. J. Harlock, CPFA
Finance and Resources Director
22nd June 2006

J. S. Ballantyne, DMS
Chief Executive
22nd June 2006

Councillor Dr. David Bard, MSc, PhD
Leader of the Council
22nd June 2006

Explanatory forward

Introduction

The Statement of Accounts brings together on the following pages the major financial statements of the Council and consists of:

- a) the Statement of Accounting Policies which sets out the basis on which the accounts have been compiled;
- b) the Consolidated Revenue Account summarising revenue expenditure and income for the year on all services and demonstrates how the net cost has been financed from government grants and the council tax;
- c) the Collection Fund which includes the council taxes and business rates collected by South Cambridgeshire District Council on behalf of those authorities responsible for services within the district and the way in which these monies have been distributed among the authorities to finance their expenditure;
- d) the Housing Revenue Account which shows revenue expenditure and income on Council housing for the year and is a ring-fenced account within the General Fund to prevent any cross-subsidy between general income and rents;
- e) the Cash Flow Statement which summarises the inflows and outflows of cash arising from transactions with third parties;
- f) the Consolidated Balance Sheet setting out the financial position of the Council as at 31st March with the balances and reserves at the Council's disposal and the assets employed in its operations; and
- g) the Statement of Total Movements in Reserves which brings together all the recognised gains and losses of the Council during the period and identifies those which have and have not been recognised in the Consolidated Revenue Account.

Consolidated Revenue Account

The Revenue Account records the day-to-day expenditure incurred in providing services such as salaries and wages, other running costs and financing costs and how this expenditure is paid for from the council tax, fees and charges and government grants. This Account consolidates the General Fund (services for the whole community), the Housing Revenue Account (Council housing) and the Direct Service Organisation (trading activities).

The Account can be summarised as:

	Expenditure/(Income)
	£'000
Net cost of services	17,501
Corporate income and expenditure	
Parish precepts	2,533
Interest	(1,881)
Other	<u>945</u>
	<u>1,597</u>
Net operating expenditure	19,098
Appropriations	<u>(4,718)</u>
Amount to be met from Government Grants and local taxpayers	14,380
Principal sources of finance	
Council taxpayers	
District	(5,118)
Parishes	(2,533)
Government grants including redistributed business rates	(6,290)
Other items	<u>34</u>
	<u>(13,907)</u>
Deficit for the year	<u>473</u>

When the council tax for the financial year ending 31st March 2006 was set in February 2005, the deficit was estimated at £452,740. The Government subsequently "capped" the Council's budget as described later in this Explanatory Foreword. The revised budget for 2005/06 approved by Council in February 2006 allowed for a deficit of £1,120,020. Comparing actual to revised, the variance of £646,973 is attributable to the following:

Actual to Revised	Underspending/Slippage ()	
	Overspending +	
	£'000	£'000
Services		
Corporate management	204	
Planning Service	(224)	
Refuse Collection and Street Cleansing	(84)	
Homelessness	(55)	
Other items individually under £50,000	<u>(390)</u>	
Variance in net portfolio expenditure on like for like basis		(549)
General Fund Summary		
Interest on Balances	19	
Financing Charges-mainly release of deferred grant	<u>(117)</u>	
		<u>(98)</u>
		<u>(647)</u>

Housing Revenue Account

This Account deals with the provision, management and maintenance of Council dwellings, as summarised below:

	Expenditure/(Income)
	£'000
Repairs and maintenance	2,821
Management and services	5,678
Depreciation of fixed assets	3,200
Transfer to National Pool (negative housing subsidy)	8,660
Other	<u>177</u>
	20,536
Rents and charges	(19,839)
Receipt from General Fund	(454)
Interest	<u>(87)</u>
	<u>(20,380)</u>
Deficit for the year	<u>156</u>

When rents for the financial year ending 31st March 2006 were set in February 2005, the deficit was estimated at £619,530. The variance of £463,204 is attributable to the following:

	Underspending/slippage() Overspending+
Actual to Estimate	£'000
Total repairs and maintenance	192
less increase in expenditure charged to capital	<u>(315)</u>
Repairs and maintenance financed from revenue	(123)
Administration	(144)
DLO Deficit	(124)
Sheltered Housing	124
Corporate management	170
Provision for doubtful debt	63
Unused provision for unanticipated expenditure	(135)
Gross rent income	(249)
Other items individually under £50,000	<u>(45)</u>
	<u>(463)</u>

Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £13.2 million. The major part of the programme involved the provision of housing, with £10.2 million being invested in improving the Council's own housing stock.

Treasury Management

At the 31st March 2006, investments totalled £27.45 million, a decrease of £10 million over the previous year-end as part of a planned reduction in reserves, and capping. These investments produced interest of over £1.8 million, which was used to pay for the cost of services.

The Council has no outstanding loans and has been debt free since 1st April 1996.

Balances and Reserves

The balances on the General Fund and the Housing Revenue Account remained high at £6.2 million and £1.9 million respectively. These will be used to meet the cost of services in future years and to keep down any increases in council tax/rents.

Reserves available for capital expenditure stood at £20.1 million, consisting of the usable capital receipt reserve. The Council's capital programme allows for the planned and phased use of these reserves.

Pensions

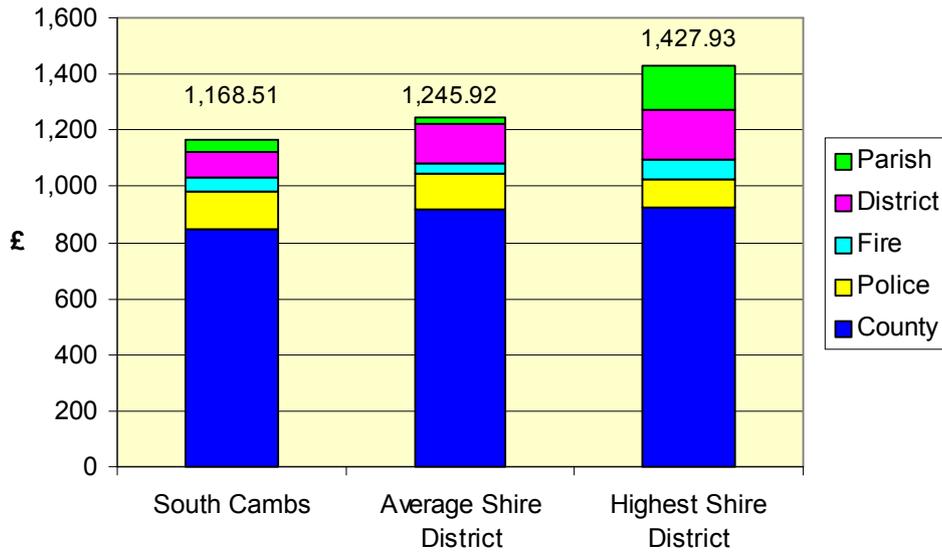
The accounting policy relating to pensions reflects the full adoption of Financial Reporting Standard 17 (FRS17) Retirement Benefits whereby pension liabilities incurred during the year are charged to the cost of services and then reversed out with the pension deficit being shown as a liability in the balance sheet.

South Cambridgeshire's pension deficit is estimated at £22.3 million as at 31st March 2006 consisting of funded scheme liabilities and unfunded liabilities of £20.9 million and £1.4 million respectively. With over 70% of the pension fund attributable to South Cambridgeshire invested in equities, the deficit can vary greatly from one year to the next.

The employer's contribution rate for 2005/06 was 11.2%. The formal valuation of assets and liabilities, for the purposes of determining contribution rates as at 31st March 2004 to be effective from 1st April 2005, showed an estimated funding level of 75%. In order to bring the funding level to 100%, the rate is predicted to increase by 2.1% per annum until it reaches 21.7% in 2010/11 and is predicted to remain at this rate until 2024/25. If the fund is then in balance the contribution rate is estimated to be 13% per annum thereafter. These predicted rates have been incorporated into the Council's five-year financial projections.

Council Tax and Collection Fund

The council tax is set in terms of a band D property which is in the valuation band from £68,001 to £88,000 at 1991 prices. For a band D property, the council tax for 2005/06 was £1,168.51. This was one of the lowest tax levels in the country and most of the money was raised on behalf of the County Council as shown below:

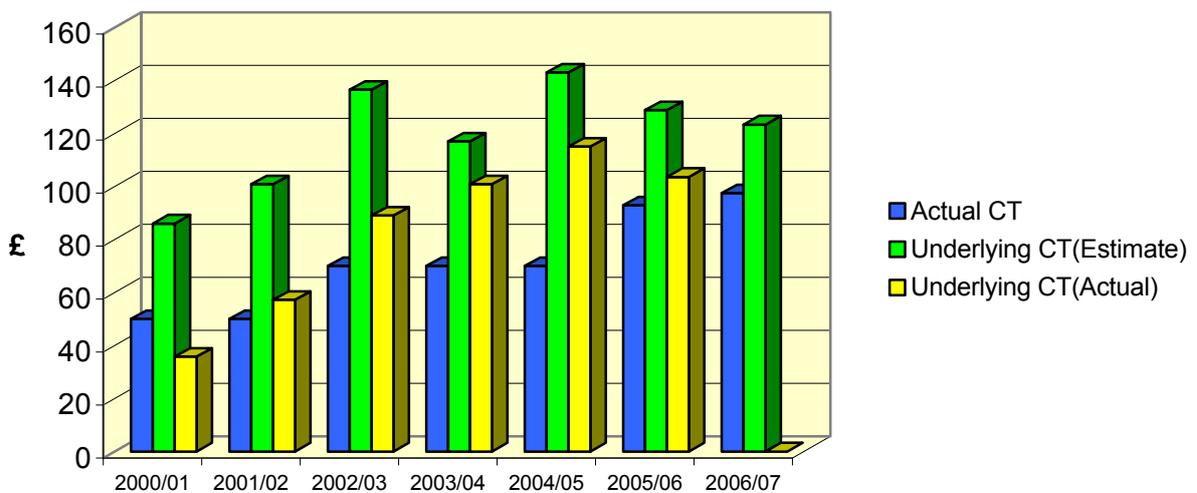


The district council figures were £92.93 (South Cambridgeshire), £142.92 (average) and £175.60 (highest).

Current and future developments

Council Tax and capping

The Council Tax set by the Council was £50 for the three years from 1999/2000 to 2001/02 and £70 for the three years from 2002/03 to 2004/05. These amounts were substantially below the average charged by other shire districts as the Council was using its reserves (savings) to keep down the level amount of Council Tax residents would have to pay.



The Council Tax had to rise as it could no longer be subsidised by savings. For 2005/06, the Council Tax was set in February 2005 at £140. Without the use of some savings, the Tax would have been £152; the amount billed of £140 was still below the national average of £143.

In March 2005, the Government announced that its criteria for designating local authorities for capping were a 6% increase in the budget and a 5.5% increase in the Council Tax. South Cambridgeshire District Council was designated for capping.

The Council is effectively being penalised for its decision to use reserves to keep the Council Tax down in 2004/05. Reserves cannot carry on being used year after year and when reserves stop being used or their use reduced, any council is bound to be capped under the Government's criteria as it defines the budget as the amount needed after the use of reserves.

The Council needed just over a 6% increase in its budget to provide services to the public but the Government regarded its budget increase as 43% because the reduction in the use of reserves of £3.3 million was being counted as expenditure:

	Estimate 2004/05 £	Estimate (before capping) 2005/06 £	Increase/ Decrease £	Percentage increase
Budget before use of reserves	13,750,360	14,607,710	857,350	+6.24%
Less use of reserves	(3,830,150)	(452,740)	3,377,410	
Less other items	(155,920)	(212,320)	(56,400)	
Budget after use of reserves – budget for capping purposes	9,764,290	13,942,650	4,178,360	+42.79%

The Government “capped” the Council and imposed a maximum budget of £11.350 million necessitating cuts in services of £2.593 million to reduce its budget from £13.943 million to the maximum allowed. The Council Tax for 2005/06 was re-set at £92.93.

In 2006/07, the Council only increased the Council Tax by 4.9% as the Government's view was that increases should be less than 5% and it would use its capping powers to deal with excessive increases. The Council has, therefore, to provide the same services and meet the same demands as other district councils but with substantially less council tax income.

Performance and Comprehensive Performance Assessment (CPA)

In June 2006, Council published its Performance Plan 2006 which sets out what we have achieved and what we plan to achieve. The Council was given a rating of fair (out of excellent, good, fair, weak or poor) in the final report of its CPA inspection in July 2004.

Information and Communication Technology (ICT)

The Council has approved £7.6 million for strengthening its ICT infrastructure and equipment plus £1.7 million for electronic service delivery work over the five years 2000-2005. It has established a contact centre in partnership with Cambridgeshire County Council with the long-term aim of conducting 80% of routine business at first contact. These investments will support the delivery of e-government in line with national targets

Population growth

The District population of 131,000 people in 2001 is projected to increase by 33% by 2016. This is a reflection of regional planning guidance and structure plan policies including the development of large numbers of additional houses in the district, particularly through the creation of a new settlement at Northstowe and the development of the Cambridge fringe areas. The officer capacity to develop these policies has to be paid for now but is not reflected in Government grants or in the Council's tax base for raising income locally.

Introduction of the Euro

The nature and potential impact of the Euro, including related costs, have not yet been assessed.

Housing stock options appraisal

The Council considered the options of retaining the stock within the Council or transferring the whole stock to a housing association as being most appropriate. After a ten month review of options, the Council decided in July 2005 to retain its housing stock and to continue managing and maintaining Council housing.

Affordable housing

The Council is currently in the process of transferring its Airey (non traditionally built) dwellings, some sheltered bedsits and various land sites to housing associations for the development of affordable and supported housing. These will show in the relevant year as disposals written out of the balance sheet but in most cases the disposal is at nil consideration. These transfers are an important contribution to the corporate objective of quality village life by meeting the priority of affordable housing and to the corporate objective of a better future through partnership by working with other organisations.

Transformation Project

The Council is in the process of implementing the Transformation Project to reduce the Management Team from four to two, restructure departments and complete business process reviews of all services. The reviews should result in further use of the Contact Centre and further development of customer focussed services. The Project has been estimated by consultants to achieve savings which have been built into the medium term financial strategy.

Auditor's Opinion

The Statement of Accounts has been audited with the Auditor's opinion on page 3.

G.J.Harlock, CPFA
Chief Executive and Chief Finance Officer

27th September 2006

Statement of Accounting Policies

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and any departures from the Code have been disclosed below. The accounts are compiled on an accruals basis so that expenditure and income reflect work undertaken/goods supplied/services rendered during the financial year regardless of when cash is paid or received.

2. Tangible fixed assets

All expenditure on the acquisition, creation or enhancement of tangible fixed assets which yield benefit to the Authority and the services it provides for a period of more than one year is capitalised on an accruals basis in the accounts. This will include expenditure on the acquisition of land, the acquisition/construction/ enhancement of buildings and the acquisition of vehicles and plant.

Expenditure on existing fixed assets has been capitalised where the expenditure relates to enhancement, which increases the useful life, market value and/or usage, or relates to a major inspection or overhaul of the fixed asset that restores the benefits of the asset that have been consumed and reflected in depreciation. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

Tangible fixed assets are included in the balance sheet on the following bases:

Operational land and property and other operational assets	The lower of net current replacement cost and net realisable value in existing use. Assets not ready for use as at the valuation date are included in the balance sheet at cost.
Non operational assets	The lower of net current replacement cost and net realisable value.
Infrastructure and community assets	Historic cost, net of depreciation, where appropriate

Assets not ready for use as at the valuation date are included in the balance sheet at cost.

The surplus on the revaluation of fixed assets has been credited to the fixed asset restatement account.

Expenditure on the acquisition, creation or enhancement of fixed assets has been debited in full to the fixed asset account. The expenditure on enhancement has not been analysed but it is expected that this expenditure will not be matched by a corresponding increase in the value of assets concerned.

Income from the disposal of fixed assets where the amount due is greater than £10,000 is credited to the usable capital receipts reserve and accounted for on an accrual basis.

Depreciation starting in the year after acquisition is provided for on fixed assets by writing down the cost (or revalued amount) less estimated residual value on a straight-line basis over the following periods:

	Years
Buildings other than dwellings	35/60
Information and Communications Technology (ICT) (Most vehicles are contract hired.)	3

With regard to Council dwellings, the element of housing subsidy known as the Major Repairs Allowance, being based on the annual cost of replacing individual building components as they reach the end of their useful life, is considered to be a reasonable estimated measure of depreciation.

No depreciation is charged on freehold land and non-operational properties in accordance with standard accounting policies.

Revenue accounts bear a capital charge for all fixed assets used in the provision of services, which consists of an annual provision for depreciation where appropriate plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet.

The Code has not been complied with insofar as the cumulative amount for depreciation or impairment at the beginning of the financial period and at the balance sheet date has not been disclosed in the notes to the Consolidated Balance Sheet. It is considered that the amounts involved are not material to the fair presentation of the financial position of the Authority or to an understanding of the Statement of Accounts.

3. Deferred charges

Deferred charges are payments of a capital nature where there is no fixed asset in the ownership of the Council. The main example is grants such as housing renovation grants and recreation and leisure grants where the fixed assets are owned by individuals and other organisations.

4. Leases

There were no extant or new finance or operating leases in the year. Contract hire agreements which have similar characteristics to operating leases are accounted for on a straight line cash basis with regard to cars and on a straight line accruals basis for commercial vehicles.

5. Government grants and other contributions to fixed assets

Where a tangible fixed asset is financed either wholly or in part by a government grant or contribution, the amount of grant or contribution is credited initially on an accruals basis to the deferred grants and contributions account. The amounts received are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged.

6. Debtors and creditors

The accounts of the Council are maintained on an accruals basis, that is, sums due to or from the Council during the year are included whether or not the cash has actually

been received or paid in the year. Exceptions to this principle relate, for example, to annual car contract hire payments and quarterly payments where payments are charged in the year rather than apportioning charges between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts. Grants payable to other organisations are included in the accounts on a payments basis.

7. Stock and work in progress

Stock held at the year end has been included in the accounts at the lower of cost or net realisable value. Work in progress on uncompleted jobs is valued at cost including an allocation of overheads.

8. Cost of support services

All the costs of management and administration and central support services have been fully apportioned to services. The bases of apportionment for the main costs are outlined below:

Cost	Basis of apportionment
Administrative Buildings	Area occupied and then on a per capita basis for office accommodation
Management and Administration in Central and Service Departments	Actual time spent by staff weighted by salary costs
Information and Communication Technology	The cost of specific systems and the Contact Centre are allocated on an actual or estimated usage basis to the relevant services; general systems are allocated on a per capita basis
Central Support Services and Central Expenses	Per capita basis

The costs of the corporate and democratic core are not apportioned to services.

9. Reserves and Deferred Liabilities

The Council maintains certain reserves to meet future expenditure. When this expenditure arises, it is charged to the service account but the contribution to/from capital and other reserves is shown in the appropriations section of the Consolidated Revenue Account. The movement in the earmarked reserves is shown in a note to the Consolidated Balance Sheet.

10. Pensions

The accounts have been prepared on the basis of the full adoption of Financial Reporting Standard 17 (FRS17) Retirement Benefits whereby pension liabilities incurred during the year are charged to the cost of services. The cost of these liabilities is reversed out in the appropriations section of the Consolidated Revenue Account and the Housing Revenue Account and payments to the pension scheme are added in. The

Consolidated Balance Sheet shows the future liability in respect of benefits due to members of the fund.

The Authority participates in the funded Local Government Pension Scheme, which is a defined benefit scheme, and also provides unfunded discretionary benefits, both of which are administered by Cambridgeshire County Council.

The amounts and disclosures shown in the Consolidated Revenue Account and the Consolidated Balance Sheet in respect of the Authority's attributable share of the funded scheme and the Authority's unfunded scheme have been determined by the administering authority's actuary, with the funded scheme determination being in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS17 issued by the Institute and the Faculty of Actuaries. The amounts and disclosures also include losses arising on curtailments not allowed for in the actuarial assumptions which have been recognised in the net cost of services.

11. Debt free

The Council has no outstanding debt and has complied with the statutory definition of debt free status since 1st April 1996. As a result, the Council:

can benefit from the transitional reductions on the full amount of any receipts from the sale of dwellings which have to be paid to the Government;

finances its capital requirement from capital receipts, grants and direct revenue financing so that there is no pre-emption of future revenue resources for the repayment of debt.

12. Provisions

The costs of internal restructurings have been recognised as provisions as the Council as at the balance sheet date had constructive obligations to restructure, transfers of economic benefits will be required to settle the obligations and reliable estimates can be made of those obligations.

Consolidated Revenue Account

2004/05 Net Expenditure £		2005/06 Gross Expenditure £	2005/06 Gross Income £	Note	2005/06 Net Expenditure £
	Expenditure on services				
2,400,789	Central Services	3,575,944	(834,366)		2,741,578
1,558,597	Central Services to the Public	6,975,240	(5,600,839)		1,374,401
	Cultural, Environmental and Planning Services				
1,778,796	Cultural and Related Services	2,000,745	(50,595)		1,950,150
4,862,840	Environmental Services	6,583,269	(1,413,336)		5,169,933
4,299,398	Planning and Development Services	5,657,560	(2,141,825)		3,515,735
623,385	Highways, Roads and Transport Services	309,534	0		309,534
	Non HRA Housing				
654,110	Personal Social Services	629,913	(76,600)		553,313
229,696	Housing Benefit and Administration	14,934,683	(14,736,665)		198,018
774,720	Private Sector Housing Renewal	992,314	(248,119)		744,195
164,078	Supporting People	397,817	(244,423)		153,394
416,827	Other Non HRA Housing Services Expenditure	563,343	(105,381)		457,962
(180)	Miscellaneous Services	0	(180)		(180)
(4,536)	Negative Subsidy Entitlement from HRA	0	0		0
201,850	Other Contributions to/from HRA	176,370	0		176,370
17,960,370	General Fund Services-Continuing operations	42,796,732	(25,452,329)		17,344,403
900,689	Housing Revenue Account Services	34,753,712	(34,597,386)		156,326
18,861,059	Net cost of services	77,550,444	(60,049,715)		17,500,729
2,223,811	Precepts of Local Precepting Authorities				2,532,667
493,151	Net deficit of Direct Service Organisation (excl.appropriations)			10	164,360
(846,577)	Transfer from Asset Management Revenue Account			1	(974,593)
1,049,551	Payment to the Government for Housing Pooled Capital Receipts				1,387,008
(2,332,302)	Interest and investment income				(1,881,294)
(119,333)	Pensions interest cost and expected return on pension assets			6	369,283
19,329,360	Net operating expenditure				19,098,160
(900,689)	Deficit transferred from Housing Revenue Account Balances				(156,326)
(697,844)	Contribution from Reserves			2	(105,848)
(1,866,812)	Contribution from Capital Financing Account			3	(2,061,206)
(383,044)	Contribution from reserves equal to net pension liability			6	(1,007,718)
(1,049,551)	Transfer from Usable Capital Receipts				(1,387,008)
14,431,420	Amount to be met from Government Grants and local taxpayers				14,380,054
(6,044,481)	Demand on Collection Fund				(7,650,657)
(5,214)	Transfers from Collection Fund				33,916
(2,369,752)	Government Grants				(2,432,232)
(3,568,657)	Distribution from Non-Domestic Rate Pool				(3,858,034)
2,443,316	Deficit for the year				473,047
	General Fund Balance				
(9,095,069)	Balance at the beginning of the year				(6,651,753)
2,443,316	Deficit for the year				473,047
(6,651,753)	Balance at the end of the year				(6,178,706)

Notes to the Consolidated Revenue Account

1. Transactions on the Asset Management Revenue Account

2004/05		2005/06
£		£
	Income	
	Reversal of Capital Charges	
(1,676,802)	General Fund and DLO/DSO	(1,747,918)
<u>(21,148,988)</u>	Housing Revenue Account	<u>(17,258,626)</u>
		(19,006,544)
<u>(326,385)</u>	Transfer from deferred grants and contributions	<u>(378,227)</u>
(23,152,175)		(19,384,771)
	Expenditure	
	Interest	
18,289,595	Housing Revenue Account	14,135,665
<u>264</u>	Finance Leases	<u>0</u>
		14,135,665
	Provision for depreciation	
1,006,195	General Fund and DLO/DSO	1,074,437
<u>3,009,543</u>	Housing Revenue Account	<u>3,200,076</u>
		4,274,513
<u>(846,578)</u>	Balance to Consolidated Revenue Account	<u>(974,593)</u>

2. Contributions to (from) reserves and deferred liabilities

2004/05		2005/06
£		£
(443,107)	Trading undertakings	(115,830)
(40,840)	Contribution from Capital Reserve	(92,043)
13,330	Contribution from DLO/DSO Reserve Accounts	23,220
23,940	Building Control Trading Reserve	51,940
	Contribution to /from Earmarked Reserves	
0	Recreation and Leisure - Capital	(394,964)
3,528	Recreation and Leisure	30,114
(4,046)	The Arts	961
117,522	Community Safety	(90,099)
(226,720)	Car Parks and Cycleways	(36,850)
(93,836)	Road safety and Improvement Schemes	0
(57,608)	Conservation Grants and Initiatives	(186,177)
(164,363)	Planning Enforcement	443,384
117,881	Planning Delivery	255,887
27,000	Contingency	0
29,475	Miscellaneous	4,609
<u>(697,844)</u>		<u>(105,848)</u>

3. Contribution from Capital Financing Account

2004/05		2005/06
£		£
538,452	Financing of capital expenditure from revenue	95,970
(1,006,195)	Depreciation	(1,074,437)
<u>(1,399,069)</u>	Deferred charges written out	<u>(1,082,739)</u>
<u>(1,866,812)</u>		<u>(2,061,206)</u>

4. Leases

Any operating lease rentals paid to lessors during the year and the estimated outstanding undischarged obligations in respect of operating leases are not material to the fair presentation of the financial position of the Authority. There were no payments in respect of finance leases made during the year (£1,292 in 2004/05).

5. Accounting for publicity

In accordance with the Local Government Act 1986 Section 5, expenditure on all publicity, including exempt categories and including publicity relating to accounts other than the General Fund was:

2004/05		2005/06
£		£
118,872	Staff recruitment	123,209
381,677	Public Relations	274,494
64,257	Other	49,282
<u>564,806</u>		<u>446,985</u>

6. Pensions

In 2005/06, expenditure on employer's contributions and charged to the revenue account was £1,224,394 representing 11.2% of employees' pensionable pay (£1,047,894 and 9.7% in 2004/05) into the Local Government Pension Scheme which is administered by Cambridgeshire County Council and which provides members with defined benefits related to pay and service (the funded scheme). The contribution rate is determined by the administering authority's actuary based on triennial actuarial valuations, as at 31st March 2004 but not implemented until 1st April 2005.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases (the unfunded scheme). In 2005/06 these were charged to the revenue account and amounted to £82,464 representing 0.75% of pensionable pay (£80,983 and 0.75% in 2004/05).

The movement in the net pension liability is:

2004/05		2005/06
£'000		£'000
	Deficit/pension liability on 1st April	
(7,070)	- funded	(18,807)
(1,222)	- unfunded	<u>(1,270)</u>
		(20,077)
	Movement in the year:	
(2,350)	interest cost (unravelling of the discount)	(3,245)
2,512	expected return on assets	<u>2,784</u>
		(461)
	current service cost (net of employee'	
(1,740)	contributions)	(1,912)
	employer's contributions	
1,048	- funded	1,228
88	- unfunded	96
(78)	gains/losses on settlements and curtailments	<u>(209)</u>
		(1,258)
(12,487)	actuarial gains / (losses)	(993)
1,222	less unfunded scheme liability	<u>0</u>
<u>(20,077)</u>	Net pensions liability as at 31st March	<u>(22,328)</u>

Further disclosures are included in the notes to the Consolidated Balance Sheet and the Statement of Total Movement in Reserves.

Further information can be found in the County Council's Pension Fund Annual Report which is available upon request from the Director of Resources, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

7. Members allowances

The total of Members' allowances paid in the year was £327,115 (£315,082 in 2004/05). Further information is available upon request from the Democratic Services Manager, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge, CB3 6EA.

8. Employees' remuneration

The number of employees whose remuneration was £50,000 or more were:

2004/05		2005/06
5	£50,000 - £59,999	3
2	£60,000 - £69,999	1
2	£70,000 - £79,999	2
1	£80,000 - £89,999	1
0	£90,000 - £99,999	1

Remuneration for these purposes includes all sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits other than in cash. Pension contributions payable by either the employee or employer are excluded.

9. Building Control

Expenditure on fee-earning activities and associated fee income were:

2004/05		2005/06
£		£
465,104	Expenditure	458,238
<u>(489,044)</u>	Income	<u>(510,178)</u>
(23,940)	(Surplus) / Deficit	(51,940)
<u>522</u>	Additional pensions liability under FRS 17	<u>461</u>
<u>(23,418)</u>		<u>(51,479)</u>

10. Trading operations

2004/05		2005/06
£		£
	Direct Service Organisation	
	Refuse Collection, Street Cleansing, Awarded	
Part of	Watercourses and Cesspool Emptying	Part of
service	Turnover	service
account	Deficit	account
272,706	Grounds Maintenance	274,298
31,744	Turnover	55,294
	Deficit	
	Direct Labour Organisation	
	Building Maintenance	
1,571,608	Turnover	2,289,759
411,363	Deficit	60,536
443,107	Total Deficit	115,830
<u>50,044</u>	Additional pensions liabilities under FRS17	<u>48,530</u>
<u>493,151</u>	Total Deficit shown in Consolidated Revenue Account	<u>164,360</u>

11. External Audit costs

Expenditure during the year on audit costs was:

2004/05		2005/06
£		£
30,000	Auditing accounts	31,000
69,700	Use of resources	71,750
12,001	Certifying grant claims	32,999
<u>23,674</u>	Other services	<u>2,826</u>
<u>135,375</u>		<u>138,575</u>

12. Related party disclosures

In 2005/06, there were no reported material related party transactions that are not disclosed elsewhere in the accounts.

13. Acquired and discontinued operations, exceptional items and extraordinary items

There are no transactions to report under these headings in 2005/06 or in 2004/05.

14. Council Tax and capping

Under the capping legislation, the Government in July 2005 set a maximum budget of £11.350 million for the financial year 2005/06, a reduction of £2.6 million on the budget approved by Council in February 2005. The maximum budget is defined in legislation and can be reconciled to the Consolidated Revenue Account as:

Consolidated Revenue Account (CRA)	£
Amount to be met from government grants and local taxpayers	14,380,054
less parish precepts	(2,532,667)
Government grants in CRA	(2,432,232)
less relating to 2005/06	<u>2,407,892</u>
less relating to previous years	(24,340)
less deficit on CRA for the year	(473,047)
Maximum budget and actual net expenditure for 2005/06	<u>11,350,000</u>

The Collection Fund

2004/05	INCOME	2005/06
£		£
(56,315,610)	Income from Council Tax	(60,310,723)
	Transfers from General Fund	
(3,630,878)	Council Tax Benefits	(4,075,511)
<u>(42,516,800)</u>	Income collectable from Business Ratepayers	<u>(45,931,027)</u>
<u>(102,463,288)</u>		<u>(110,317,261)</u>
EXPENDITURE		
Demands and Precepts		
Precepts		
44,387,452	Cambridgeshire County Council	46,584,382
7,058,961	Cambridgeshire Police Authority	7,465,001
2,510,180	Cambridgeshire Fire Authority	<u>2,656,866</u>
		56,706,249
Demands - District Council		
3,820,670	General Expenses	5,117,990
2,223,811	Special Expenses - Parish Precepts	<u>2,532,667</u>
		7,650,657
<u>60,001,074</u>		<u>64,356,906</u>
Business Rate		
42,317,551	Payment to National Pool	45,730,795
199,249	Cost of Collection	<u>200,232</u>
		45,931,027
Bad and Doubtful Debts		
66,844	Write Offs	107,482
57,780	Provision for Bad and Doubtful Debts	<u>57,125</u>
		164,607
Contributions		
Towards previous year's estimated Collection Fund Deficit		
Council Tax		
37,936	Cambridgeshire County Council	(238,661)
5,405	Cambridgeshire Police Authority	(37,954)
0	Cambridgeshire Fire Authority	(13,497)
<u>5,214</u>	District Council	<u>(33,916)</u>
		(324,028)
<u>102,691,053</u>		<u>110,128,512</u>
227,765	Deficit/(Surplus) of income over expenditure	(188,749)
<u>276,090</u>	Fund Balance at Beginning of year	<u>503,855</u>
<u>503,855</u>	Fund Balance at end of year	<u>315,106</u>
Attribution of Deficit carried forward		
<u>503,855</u>	Council Tax	<u>315,106</u>
<u>503,855</u>		<u>315,106</u>

Notes to the Collection Fund Account

1. General

This account represents the transactions of the Collection Fund, which have been prepared on the accruals basis.

2. Council tax

The Council Tax is raised to finance local authority net expenditure which is not met from government grants, and there is one bill for each dwelling based on the valuation band in which the dwelling is placed. There is a discount scheme for dwellings with fewer than two liable persons, a benefit scheme for persons on low incomes and a reduction for people with disabilities.

The Council Tax base for tax setting purposes is calculated as:

Band	Valuation	Number of dwellings adjusted for discount, exemptions, etc.	Ratio to Band D	Band D equivalents
-A	Upto £40,000	6	5/9	3.3
A	Upto £40,000	1,617.50	6/9	1,078.3
B	£40,001 - £52,000	4,493.25	7/9	3,494.8
C	£52,001 - £68,000	15,359.75	8/9	13,653.1
D	£68,001 - £88,000	10,689.60	9/9	10,689.6
E	£88,001 - £120,000	9,138.40	11/9	11,169.2
F	£120,001 - £160,000	6,114.90	13/9	8,832.6
G	£160,001 - £320,000	3,513.50	15/9	5,855.8
H	More than £320,000	287.90	18/9	575.8
		<u>51,214.80</u>		<u>55,352.5</u>
Assumed rate of collection			99.5%	
Tax base for tax setting purposes (number of Band D equivalent dwellings)				55,075.8
Tax rate for a Band D property				<u>£1,168.51</u>
Estimated income due				<u>£64,356,569</u>
Actual income due				
Net of write offs and provisions			£60,146,116	
Council Tax Benefit net of subsidy limitation			<u>£4,075,511</u>	
				<u>£64,221,627</u>
Difference in income due to variations in tax base and rate of collection				<u><u>(£134,942)</u></u>

3. Income from business rates

The Council collects non-domestic rates for its area based on local rateable values multiplied by a uniform rate set by Central Government. The total non-domestic rateable value as at 31 March 2006 was £143,518,327 and the uniform rate was 42.2 pence in the £. The total amount, less certain reliefs and other deductions, is paid to a national pool managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local population.

4. Collection Fund deficit

The deficit relating to Council Tax transactions of £315,106 on the Collection Fund as at 31 March 2006 will be collected in subsequent financial years from the major precepting authorities and the District Council in proportion to their respective precepts and demand.

Housing Revenue Account

2004/05 £	INCOME	2005/06 £
(17,210,472)	Dwelling Rents(Gross)	(17,948,515)
(337,721)	Non-dwelling Rents(Gross)	(339,348)
<u>(1,477,888)</u>	Charges for Services and Facilities	<u>(1,551,141)</u>
		(19,839,004)
	Contributions towards expenditure	
(497,898)	General Fund	(401,370)
<u>(99,000)</u>	Other sources	<u>(18,500)</u>
		(419,870)
0	Housing Benefit Transfers from General Fund	(34,470)
<u>(19,622,979)</u>	Total Income	<u>(20,293,344)</u>
	EXPENDITURE	
2,927,018	Repairs and Maintenance	2,821,676
	Supervision and Management	
1,573,864	General	1,634,700
884,542	Repairs and Maintenance	797,357
3,060,111	Special Services	3,246,292
111,599	Rent, Rates and Other Charges	130,697
38,470	Rent Rebates	0
4,536	Negative Subsidy transferable to General Fund	0
8,737,408	Payment to Government in to National Pool	8,659,911
429,777	Transfer of DLO Deficit	92,610
18,139,445	Cost of Capital Charge	14,058,550
3,009,543	Depreciation of Fixed Assets	3,200,076
22,710	Treasury Management Costs	23,855
65,370	Increased Provision for Bad or Doubtful Debts	87,988
<u>39,004,393</u>	Total Expenditure	<u>34,753,712</u>
19,381,414	Net Cost of Services	14,460,368
	HRA transactions on the Asset Management Revenue Account	
(18,139,445)	Cost of Capital Charge	(14,058,550)
(50,340)	Interest on Amounts Set Aside	<u>0</u>
		(14,058,550)
	Pensions Interest Cost and Expected Return	
(42,667)	on Pension Assets	91,717
	HRA Investment Income	
(11,507)	Mortgage Interest	(9,812)
(99,810)	Interest on Cash Balances	<u>(77,115)</u>
		4,790
<u>1,037,645</u>	Net Operating Expenditure	<u>406,608</u>
(136,956)	Contribution from Reserves Equal to Net Pension Liability	(250,282)
900,689	Deficit for the year	156,326
(2,956,811)	Balance brought forward	(2,056,122)
<u>(2,056,122)</u>	Balance carried forward	<u>(1,899,796)</u>

Notes to the Housing Revenue Account (HRA)

1. Housing stock

The Housing Revenue Account includes all the expenditure and income associated with the following stock of Housing Revenue Account dwellings:

	As at 31st March 2005	Conversions during the year	Additions during the year	Disposals during the year	As at 31st March 2006
1 Bedroom	1,176	0	13	(10)	1,179
2 Bedrooms	2,478	0	11	(24)	2,465
3 Bedrooms	2,119	(2)	0	(13)	2,104
4 or more Bedrooms	70	2	0	0	72
	<u>5,843</u>	<u>0</u>	<u>24</u>	<u>(47)</u>	<u>5,820</u>

Disposals

Right to Buy
Equity Share
Other

27

18

2

47

The total balance sheet values of dwellings and other property and land within the HRA are;

	Balance at 31st March 2005	Revaluation/ adjustments at 1st April 2005	Additions during year	Disposals during year	Depreciation for year	Balance at 31st March 2006
Operational assets						
Council dwellings	517,785,294	(121,749,910)	10,226,639	(4,283,014)	(3,200,076)	398,778,933
Garages	2,096,674	531,326	0	0	0	2,628,000
Non operational assets						
Land and buildings	2,897,437	(740,908)	0	0	0	2,156,529
	<u>522,779,405</u>	<u>(121,959,492)</u>	<u>10,226,639</u>	<u>(4,283,014)</u>	<u>(3,200,076)</u>	<u>403,563,462</u>

Vacant possession value of dwellings: £860,729,096

The dwellings are valued in accordance with Guidance on Stock Valuation for Resource Accounting issued by the Office of the Deputy Prime Minister. This requires the dwellings to be valued at open market value with vacant possession, which is then adjusted to reflect tenancies at less than open market rents by using an adjustment factor based on the ratio of local authority rents to open market rents for the relevant region. The Guidance was revised in July 2005 and the adjustment factor for the eastern region has fallen from 57% in 2000 to 46% as private sector rents have increased proportionately more than local authority rents. The reduction in the adjustment factor, together with a slight fall in vacant possession values from a peak in 2005, account for the fall in balance sheet values:

2004/05		2005/06
£		£
911,885,914	vacant possession value as at 1st April	860,729,096
	ratio of local authority rents to private rents to take account of secure tenancies at less than open market rents	
57%		46%
<hr/> 519,774,971		<hr/> 395,935,384
161,240	property leased at market rent	100,000
<hr/> <u>519,936,211</u>		<hr/> <u>396,035,384</u>
468,321,127	opening balance	517,785,294
51,615,084	revaluation	(121,749,910)
<hr/> <u>519,936,211</u>	Revalued opening balance as at 1st April	<hr/> <u>396,035,384</u>

The Housing Stock Options considered by the Council included an option to transfer the whole stock to a housing association. The valuation for this purpose is entirely different being based on the present value of future expenditure and income and produces a much lower figure.

2. Capital expenditure, financing and receipts

Capital expenditure and financing relating to the HRA during the financial year was:

	£		£
Expenditure		Financing	
New Build	329,233	Capital receipts	6,979,085
Acquisition of existing dwellings	2,642,607	Major Repairs Allowance	3,200,076
Improvement of housing stock	<hr/> 7,254,799	Grant	<hr/> 47,478
	<hr/> <u>10,226,639</u>		<hr/> <u>10,226,639</u>

Capital receipts relating to the HRA during the financial year were:

2004/05		2005/06
£		£
14,206	Sale of Land	115,358
	Sale of dwellings	
3,413,471	Right to buy	2,487,972
<u>3,620,583</u>	Other	<u>1,990,387</u>
<u>7,048,260</u>		<u>4,593,717</u>

3. Depreciation

The Major Repairs Allowance represents the capital cost of keeping housing stock in its current condition. The Major Repairs Allowance, being based on the annual cost of replacing individual building components as they reach the end of their useful life, is considered to be a reasonable estimate measure of Depreciation/Amortisation.

The charge for Depreciation within the HRA was:

2004/05		2005/06
£		£
3,009,543	Operational assets	3,200,076
0	Non operational	0
<u>3,009,543</u>		<u>3,200,076</u>

4. Impairment

No impairment charge was incurred for the financial year 2005/06, or in 2004/05 in respect of land, dwellings and other property within the Housing Revenue Account.

5. Major Repairs Reserve

This reserve effectively shows how the Major Repairs Allowance element of housing subsidy, being considered a reasonable estimate measure of Depreciation, is used to finance capital expenditure relating to the HRA.

	£
Balance on 1st April 2005	0
Transfer of depreciation provision	(3,200,076)
Capital expenditure	<u>3,200,076</u>
Balance on 31st March 2006	<u>0</u>

6. Cost of capital charge

The cost of capital charge is based on 3.5% of the value of HRA operational assets as at 1st April and reflects the cost of public sector capital tied up in council housing and other HRA assets. This charge is reversed out in the appropriations section of the HRA.

7. Housing subsidy

The amount of negative housing subsidy payable to the Government from the HRA for the financial year consists of:

2004/05		2005/06
£		£
1,732,102	Allowance for management	1,822,883
4,046,481	Allowance for maintenance	4,563,646
3,009,543	Allowance for major repairs	3,200,076
<u>8,890</u>	Other items	<u>8,036</u>
8,797,016		9,594,641
(17,476,177)	Rent	(18,259,858)
(58,247)	Interest on receipts	(37,468)
<u>0</u>	Rebate adjustment for 2004/05	<u>42,774</u>
<u>(8,737,408)</u>	Payable to the Government	<u>(8,659,911)</u>
(4,536)	Rebate Adjustment for 2003/04	0
<u>(4,536)</u>	Transferred to the General Fund	<u>0</u>

8. Contribution from reserves equal to net pension liability

This contribution reverses out the pensions liabilities apportioned to net operating expenditure and adds back in the payments to the pension scheme so that the adoption of Financial Reporting Standard 17 (FRS 17) Retirement Benefits has no effect on the deficit/surplus for the year.

9. Rent arrears on dwellings

As at 31st March 2005		As at 31st March 2006
£562,165	Arrears	£624,879
3.05%	Arrears as a percentage of gross rents collectable	3.24%
£378,370	Provision for uncollectable amounts	£456,430

Cash Flow Statement

2004/05		2005/06	2005/06
£		£	£
	Revenue Activities		
	Cash Outflows		
14,156,317	Cash paid to and on behalf of employees	14,163,746	
13,505,274	Other operating cash payments	14,275,659	
8,737,408	Negative housing subsidy paid to Government	8,659,911	
5,187,134	Housing Benefit paid out	6,020,790	
44,002,973	National Non-Domestic Rate Payments to the National Pool	50,635,564	
44,425,388	Precepts paid to County Council	46,345,721	
7,064,366	Precepts paid to Police Authority	7,427,047	
2,510,180	Precepts paid to Fire Authority	2,643,369	
2,223,811	Precepts paid to Parishes	2,532,667	
641,516	Payment to Capital Receipts Pool	<u>654,038</u>	
			153,358,512
	Cash Inflows		
(8,596,813)	Rents(after rebates)	(9,504,369)	
(56,386,017)	Council Tax receipts (after benefits)	(59,940,269)	
(3,568,657)	National Non Domestic Rates from National Pool	(3,858,034)	
(42,488,976)	Non Domestic rate receipts	(46,225,290)	
(2,369,752)	Revenue Support Grant	(2,432,232)	
(17,295,598)	DWP grants for benefits	(17,611,990)	
(1,349,373)	Other Government Grants	(1,446,945)	
(6,546,634)	Cash received for goods and services	<u>(8,157,909)</u>	
			<u>(149,177,038)</u>
3,852,547	Revenue Activities Net Cash Flow		4,181,474
	Returns on Investment		
	Cash Outflows		
264	Interest element of finance leases	0	
	Cash Inflows		
(2,358,339)	Interest received	<u>(2,081,573)</u>	
			(2,081,573)
	Capital Activities		
	Cash Outflows		
11,578,269	Purchase of Assets	11,151,406	
1,591,728	Deferred Charges	1,848,671	
	Cash Inflows		
(9,244,027)	Sale of Fixed Assets	(4,594,105)	
(661,395)	Capital Grants received	(736,753)	
(221,922)	Other capital cash receipts	<u>(610)</u>	
			7,668,609
4,537,125	Net cash inflow before financing		<u>9,768,510</u>
	Management of Liquid Resources		
(5,000,000)	Net (decrease) in short term deposits		(10,050,000)
	Cash Outflow		
1,028	Financing - principal element of finance leases		<u>0</u>
(461,847)	Net Increase in cash		<u>(281,490)</u>

Notes to the Cash Flow Statement

1. Reconciliation of deficit on Consolidated Revenue Account to net cash flow from revenue activities.

2004/05 £		2005/06 £	2005/06 £
2,443,316	Deficit on Consolidated Revenue Account	473,047	
900,689	Deficit on Housing Revenue Account	156,326	
227,765	Deficit/(Surplus) on Collection Fund	(188,749)	
641,516	Payment to Capital Receipts Pool	<u>654,038</u>	
			1,094,662
	Add non cash transactions		
11,340	Credit Cover (net)	0	
(541,137)	Direct Revenue Financing of Capital Expenditure	(340,498)	
(3,009,543)	Major Repairs Allowance	(3,200,076)	
258,067	Contribution from/(to) Reserves	(112,416)	
	Less non cash transactions		
123,150	Movement in Bad Debt Provision	145,113	
326,385	Amortisation of Deferred Grants and Contributions	<u>423,604</u>	
			<u>(3,084,273)</u>
			(1,989,611)
	Changes in working capital		
17,114	Stock	(28,125)	
872,220	Debtors	3,467,257	
(776,410)	Revenue Creditors	<u>650,380</u>	
			4,089,512
<u>2,358,075</u>	Servicing of Financing from Cash Flow Statement		<u>2,081,573</u>
<u>3,852,547</u>	Revenue Activities Net Cash Flow		<u>4,181,474</u>

2. Reconciliation of balance sheet to liquid resources

	Balance Sheet 31st March 2005	Balance Sheet 31st March 2006	Movement in Liquid Resources 2005/06
Investments	(37,500,110)	(27,450,110)	10,050,000
Less time deposits	37,500,110	27,450,110	(10,050,000)
Investments repayable on demand	0	0	0
Net cash overdrawn	769,783	488,293	(281,490)
Movement	769,783	488,293	281,490

3. Reconciliation of movement in cash to net debt

2004/05		2005/06
£		£
(461,847)	Increase in Cash	(281,490)
<u>(1,028)</u>	Cash outflow from finance lease	<u>0</u>
(462,875)	Decrease in net debt from cash flow	(281,490)
(1,232,658)	Net debt at 1st April	(769,783)
<u>(769,783)</u>	Net debt at 31st March	<u>(488,293)</u>

4. Management of Liquid Resources

A short-term deposit is an investment that is not intended to be held for use on a continuing basis in the activities of the authority.

5. Analysis of other Government grants

2004/05		2005/06
£		£
	Revenue	
(483,320)	Housing Benefit Administration and Fraud	(559,475)
(199,249)	NNDR Cost of Collection Allowance	(200,232)
(219,962)	Planning Delivery Grant	(380,932)
(152,414)	Supporting People	(110,628)
(20,000)	Homelessness	(20,000)
(29,425)	Improvement Grant	(13,947)
(85,601)	Refuse / Recycling	(41,407)
(60,343)	Community Safety	(48,124)
(72,200)	Verification Framework	(72,200)
<u>(26,859)</u>	ICT	<u>0</u>
<u>(1,349,373)</u>		<u>(1,446,945)</u>
	Capital	
(180,000)	Renovation Grants - net of repayments	(345,372)
(323,390)	IEG	(183,927)
(51,750)	Broadband	(33,000)
(76,710)	Kerbside Recycling	0
(5,800)	Plastic Recycling Bins	0
(23,745)	Insulation	(47,478)
<u>0</u>	Planning Delivery Grant	<u>(126,976)</u>
<u>(661,395)</u>		<u>(736,753)</u>

Consolidated Balance Sheet

31st March 2005			31st March 2006
£		Note	£
	Tangible Fixed Assets	1 and 2	
	Operational		
519,881,968	Council dwellings		401,406,933
18,354,487	Other land and buildings		17,999,577
1,581,484	Vehicles, plant and equipment		1,681,295
117,960	Infrastructure		106,682
600,000	Community assets		368,694
	Non-operational		
211,403	Investment Properties		185,000
2,686,284	Surplus assets, held for disposal		1,971,779
<u>543,433,586</u>			<u>423,719,960</u>
272,647	Long Term Debtors-Mortgages		213,381
<u>543,706,233</u>	Total Long Term Assets		<u>423,933,341</u>
	Current Assets		
36,996	Stocks	3	8,871
6,980,028	Debtors	4	10,592,399
37,500,110	Investments	5	27,450,110
541,423	Cash and Bank		732,725
<u>45,058,557</u>			<u>38,784,105</u>
	Current Liabilities		
(6,187,242)	Creditors	6	(5,766,606)
(1,311,206)	Cash overdrawn		(1,221,018)
<u>(7,498,448)</u>			<u>(6,987,624)</u>
<u>37,560,109</u>	Net Current Assets		<u>31,796,481</u>
581,266,342	Total Assets less Current Liabilities		455,729,822
(120,714)	Deferred Liabilities	7	(294,343)
(823,607)	Deferred Credits and Grants	8	(651,344)
0	Provisions	12	(630,822)
(20,077,000)	Liability related to defined benefit pension schemes	14	(22,328,000)
<u>560,245,021</u>	Net Assets		<u>431,825,313</u>
	Accounts, Balances and Reserves		
(440,969,032)	Fixed Asset Restatement Account	(Note 1 to Account Statement)	(314,300,395)
(100,682,722)	Capital Financing Account	(Note 2 to Account Statement)	(107,302,963)
(25,754,711)	Usable Capital Receipts Reserve	(Note 3 to Reserve Statement)	(20,138,723)
(4,711,536)	Earmarked Reserve	9	(4,647,836)
20,077,000	Pensions Reserve		22,328,000
	Revenue Balances		
(6,651,753)	General Fund		(6,178,706)
(2,056,122)	Housing Revenue Account		(1,899,796)
503,855	Collection Fund		315,106
<u>(560,245,021)</u>			<u>(431,825,313)</u>

Signed

G.J.Harlock, CPFA
Chief Executive and Chief Finance Officer

Dated 27th September 2006

Notes to the Consolidated Balance Sheet

1. Tangible fixed assets

Movements in the net fixed assets during the year were as follows:

	Balance at 31st March 2005	Revaluation/ Adjustments at 1st April 2005	Additions during year	Disposals during year	Depreciation for year	Balance at 31st March 2006
Operational						
Council dwellings	519,881,968	(121,218,584)	10,226,639	(4,283,014)	(3,200,076)	401,406,933
Other land and buildings	18,367,476	0	38,984	0	(406,883)	17,999,577
Vehicles, plant and equipment	1,602,040	0	889,081	(85,900)	(723,926)	1,681,295
Infrastructure	117,960	0	0	0	(11,278)	106,682
Community Assets	600,000	(415,233)	183,926	0	0	368,693
Non operational						
Investment Properties	211,403	(26,403)	0	0	0	185,000
Surplus assets, held for disposal	2,686,284	(714,504)	0	0	0	1,971,780
	543,467,131	(122,374,724)	11,338,630	(4,368,914)	(4,342,163)	423,719,960
					Def.Chgs written out	
Deferred Charges	(33,545)	0	1,857,258	0	(1,823,713)	0
	543,433,586	(122,374,724)	13,195,888	(4,368,914)	(6,165,876)	423,719,960

Valuations on the bases set out in the statement of accounting policies have been carried out for:

- Council dwellings and non operational assets relating to the Housing Revenue Account as at 1st April 2005 by Mr. Cary Carter, MA, MRICS, District Valuer, East of England; Council dwellings have been valued and reviewed on the basis of existing use for social housing; the fall in the value of dwellings is explained in note 1 to the Housing Revenue Account, and
- Other land and buildings and investment properties valued as at 1st April 2004 by Mr. Mark Catley, MRICS, FAAV, District Valuer, East of England. Assets not ready for use as at the valuation date are included in the balance sheet at cost.

The Council is not aware of any events or circumstances which indicate that the amounts stated in the balance sheet for fixed assets may not be recoverable, as at the balance sheet date. Council dwellings are valued on the prescribed basis set out in note 1 on page 32. In the event that the dwellings are transferred to a housing association, then the valuation method for such a transfer is entirely different and produces a much lower valuation.

Capital expenditure was financed as follows:

	£		£
Expenditure		Financing	
Fixed Assets	11,313,674	Capital Receipts	8,598,662
Deferred Charges	1,848,671	Revenue	349,086
		Grant	787,611
		Major Repairs Allowance	3,200,076
		Reserves	226,910
	<u>13,162,345</u>		<u>13,162,345</u>

An analysis of fixed assets is:

31 March 2005 (Numbers)		31 March 2006 (Numbers)
5,843	Council dwellings	5,820
1	Offices	1
1	Depot and Workshop	1
1	Country Park, visitors centre and toilet block	1
5	Car Parks	5
2	Commercial Property	2
15.25 (acres)	Land	15.25 (acres)

Capital commitments as at 31st March 2006 were £0.59 million on Housing and £2.39 million on General Fund, but these commitments are more than covered by usable housing capital receipts and from earmarked reserves in the General Fund.

2. Leases

There were no new finance lease agreements during 2005/06. In respect of contract hire agreements for vehicles, the Council is committed to make payments of £800,178 in the financial year 2006/07 analysed as:

	£
commitments expiring in the year 2006/07	193,895
commitments expiring in the year 2007/08 to 2010/11	606,283
commitments expiring in the years 2011/12 and later	<u>0</u>
	<u>800,178</u>

3. Stocks and works in progress

31st March 2005 £			31st March 2006 £
27,419	Stock	DLO	0
<u>9,577</u>		Other	<u>8,871</u>
<u>36,996</u>			<u>8,871</u>

4. Debtors

31st March 2005		31st March 2006
£		£
3,153,143	Government Departments	7,699,044
815,250	Non-Domestic Ratepayers	631,090
1,403,886	Council Tax	1,476,061
562,165	Housing Rents	624,879
289,891	Cambridgeshire County Council	134,190
51,783	Employee Car Loans	28,301
18,070	Cambridge City Council	12,400
1,008	Staff Salaries and Wages	683
2,156,339	Sundry Debtors	1,586,904
<u>(1,471,507)</u>	Provision for Doubtful Debts	<u>(1,601,153)</u>
<u>6,980,028</u>	Total	<u>10,592,399</u>

5. Investments

These investments are fixed time and callable deposits where the deposits are redeemed for the same value as the amount invested. The deposits are with United Kingdom and Irish banks and building societies and, therefore, no provision is made for possible loss of principal.

31st March 2005		31st March 2006
£		£
0	Local Authorities	0
9,500,000	Clearing Banks	4,500,000
0	Subsidiaries of Clearing Banks	0
2,000,000	Banks, other	2,000,000
0	Money Market Funds	450,000
	Building Societies with assets:	
5,000,000	greater than £10,000 million	3,000,000
4,500,000	between £5,000 million and £10,000 million	3,000,000
8,500,000	between £1,500 million and £5,000 million	6,500,000
8,000,000	between £250 million and £1,500 million	8,000,000
110	Government Securities	110
<u>37,500,110</u>	Total	<u>27,450,110</u>
	Principal Investments analysed by maturity	
23,000,000	2005/06	0
5,000,000	2006/07	20,950,000
4,500,000	2007/08	3,500,000
4,000,000	2008/09	2,000,000
<u>1,000,000</u>	2009/10	<u>1,000,000</u>
<u>37,500,000</u>		<u>27,450,000</u>

6. Creditors

31st March 2005		31st March 2006
£		£
(1,500,082)	Government Departments	(1,464,997)
(585,790)	Non-Domestic Ratepayers	(728,713)
(776,724)	Council Tax	(585,926)
(123,924)	Housing Rents	(126,768)
(468,031)	Cambridgeshire County Council	(467,852)
(105,329)	Cambridge City Council	(131,248)
(8,375)	Staff Salaries and Wages	(28,512)
(2,618,987)	Sundry Creditors	(2,232,590)
(6,187,242)	Total	(5,766,606)

7. Deferred Liabilities

Deferred liabilities are monies received from developers under section 106 of the Town and Country Planning Act 1990 which contribute to the infrastructure costs for drainage and to community arts and development.

8. Deferred credits and grants

31st March 2005		31st March 2006
£		£
(267,004)	Deferred Capital Receipts	(208,348)
(556,603)	Deferred Government Grants	(442,996)
(823,607)	Total	(651,344)

Deferred capital receipts are amounts derived from the sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under long term debtors.

9. Reserves

	31st March 2005 £	Transactions during year £	31st March 2006 £
Earmarked Reserves			
Capital			
Preservation of Historic Buildings	(156,986)	95,970	(61,016)
Arts Grants	(180,035)	(32,704)	(212,739)
Recreation and Leisure	(535,540)	535,540	0
Dual Use Recreational Facilities	(1,858,269)	162,174	(1,696,095)
Planning Projects	(246,686)	(63,890)	(310,576)
Community Development	(190,849)	(176,495)	(367,344)
Sports Development	(239,595)	(72,836)	(312,431)
Other	(190,972)	69,708	(121,264)
Revenue			
Conservation Reserve	(19,395)	15,399	(3,996)
Information Technology Reserve	(92,043)	92,043	0
Building Control Reserve	(475,782)	(51,940)	(527,722)
Arts Reserve	(31,659)	(8,206)	(39,865)
Recreation & Leisure Grants	(22,613)	22,613	0
Dual Use Operational Reserve	(19,811)	(42,968)	(62,779)
Planning Reserve	(117,881)	(128,912)	(246,793)
Community Safety & Grants Reserve	(125,566)	89,603	(35,963)
Sports Reserve	(3,350)	3,350	0
Travellers Reserve	0	(443,384)	(443,384)
Other	(204,504)	(1,365)	(205,869)
	<u>(4,711,536)</u>	<u>63,700</u>	<u>(4,647,836)</u>
Total - Capital	(3,598,932)	517,467	(3,081,465)
Revenue	<u>(1,112,604)</u>	<u>(453,767)</u>	<u>(1,566,371)</u>
	<u>(4,711,536)</u>	<u>63,700</u>	<u>(4,647,836)</u>

10. Analysis of net assets employed

31st March 2005 £		31st March 2006 £
(13,181,178)	General Fund	(11,128,585)
(466,431,165)	Housing Revenue Account	(335,696,559)
<u>(26,956)</u>	Direct Service Organisation	<u>(25,206)</u>
(479,639,299)		(346,850,350)
(100,682,722)	Capital Financing Account	(107,302,963)
<u>20,077,000</u>	Pensions Reserve	<u>22,328,000</u>
<u>(560,245,021)</u>		<u>(431,825,313)</u>

11. Contingent liabilities

An adjusting post balance sheet event relating to an employment matter estimated at £20,000 has been included in the cost of services. This matter was outstanding as at the balance sheet date and has since been settled.

12. Provisions

Provisions included in the balance sheet consist of:

1. provisions for bad and doubtful debts which have been netted off debtors; and
2. provision for the costs of redundancy, early retirement pension costs and compensatory added years' lump sums and the first year's annual payments which will be incurred as part of an internal restructuring of the senior management team and the sheltered housing service. These have been estimated at £630,822. The amounts fall due within twelve months of the balance sheet date, and have been included under provisions in the consolidated balance sheet.

13. Contingent liabilities

Contingent liabilities as at the balance sheet date include:

1. the Council has an equity share scheme for the elderly under which Council owns part shares in approximately 270 properties. The terms of the leases include an obligation for the Council to buy back the equity share upon surrender by the tenant or his/her executors. There are other equity share schemes covering approximately 70 properties where a similar obligation exists. The Council would then look to resell the properties under the equity share schemes so that the in and out transactions would have had an approximately nil financial effect. As a result of the introduction of the pooling of capital receipts arrangements in local government from 1 April 2004, the Council may be exposed to a liability to pay 75% of the value of any capital receipts from the resale of these properties to Central Government. Any potential liability cannot be quantified at this time; and
2. compensatory added years' annual payments from the second year onwards which will be incurred as part of an internal restructuring of the senior management team and the sheltered housing service. These costs have not been capitalised and included as part of the provision for restructuring on the basis of comparability and understandability. All similar payments are charged to revenue and regular annual payments are intuitively regarded as running costs to be shown in the revenue accounts.

14. Pensions

The Authority participates in the funded Local Government Pension Scheme, which is a defined benefit scheme, and also provides unfunded discretionary benefits, both of which are administered by Cambridgeshire County Council. The contribution rate to the funded scheme in 2005/06 was determined by the administering authority's actuary based on the full actuarial valuation as at 31st March 2004 but not implemented until 1st April 2005.

In order to comply with the Financial Reporting Standard 17 (FRS17), Retirement Benefits, the latest actuarial valuation as at 31st March 2004 has been rolled forward in

order to report on the position as at 31st March 2006. The information in the actuarial valuation as at 31st March for the purposes of FRS17 is:

2004/05		2005/06
2.9%	Rate of inflation	3.1%
4.4%	Rate of increase in salaries	4.6%
2.9%	Rate of increase in pensions	3.1%
N/A	Employees opting to take a commuted lump sum	0%
5.4%	Rate for discounting scheme liabilities	4.9%

Expected rate of return on assets		
7.7%	Equities	7.4%
4.8%	Bonds	4.6%
5.7%	Property	5.5%
4.8%	Cash	4.6%

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of the Actuary the Council has taken the view that there is insufficiently reliable evidence to assume a level of take up of the change in the pension scheme. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change to the pension scheme.

The fair value of attributable assets, the proportion of assets and their expected rate of return, and the present value of scheme liabilities were estimated to be:

31st March 2005			31st March 2006	
Estimated attributable assets/liabilities £,000	Asset distribution %		Estimated attributable assets/liabilities £,000	Asset distribution %
29,107	73.5%	Equities	37,326	75.3%
5,250	13.3%	Bonds	6,284	12.7%
3,848	9.7%	Property	4,600	9.3%
1,392	3.5%	Cash	1,356	2.7%
<u>39,597</u>	100.0%	Estimated attributable assets	<u>49,566</u>	100.0%
		Estimated present value of scheme liabilities	<u>(70,440)</u>	
<u>(58,404)</u>		Deficit on funded scheme as determined by the actuary	<u>(20,874)</u>	
<u>(18,807)</u>		Deficit on unfunded discretionary benefits	<u>(1,454)</u>	
<u>(1,270)</u>		Net pensions liability	<u>(22,328)</u>	
<u>(20,077)</u>				

Statement of Total Movement in Reserves 2004/05

The statement of Total Movements in Reserves is a primary financial statement which brings together all the realised and recognised gains and losses of the Council during the year and identifies those which have not been recognised in the Consolidated Revenue Account.

	Capital Accounts and Reserves					Revenue Balances and Reserves			Total
	Fixed Asset Restatement Account (Note 1) £	Capital Financing Account (Note 2) £	Usable Capital Receipts (Note 3) £	Specific Reserves* £	Pension Reserve £	General Fund £	Specific Reserves* (Including Collection Fund) £	Housing Revenue Account £	
Balance at beginning of year	(397,118,818)	(95,555,999)	(26,600,825)	(3,755,766)	8,292,000	(9,095,069)	(782,080)	(2,956,811)	(527,573,368)
Net deficit for year	0	6,000,761	0	154,337	11,785,000	2,443,316	175,828	900,689	21,459,931
Revaluation/review as at 1st April 2004	(52,763,175)	0	0	0	0	0	0	0	(52,763,175)
Effects of disposals of fixed assets grants: Cost or value of assets disposed of	8,912,960	0	0	0	0	0	0	0	8,912,960
Effects of amounts payable to the housing capital receipts pool	0	0	1,049,551	0	0	0	0	0	1,049,551
Proceeds of sale	0	0	(9,244,027)	0	0	0	0	0	(9,244,027)
Deferred charges written out	0	1,450,819	0	0	0	0	0	0	1,450,819
Financing of:									
Fixed Assets	0	(11,138,824)	7,983,290	0	0	0	0	0	(3,155,534)
Deferred Charges	0	(1,450,819)	1,057,300	0	0	0	0	0	(393,519)
Credit cover for credit arrangement (net of liability)	0	11,340	0	0	0	0	0	0	11,340
Balance at end of year	(440,969,033)	(100,682,722)	(25,754,711)	(3,601,429)	20,077,000	(6,651,753)	(606,252)	(2,056,122)	(560,245,022)

* These specific reserves relate solely to the General Fund and are itemised in Note 10 to the Consolidated Balance Sheet.

Statement of Total Movement in Reserves 2005/06

The statement of Total Movements in Reserves is a primary financial statement which brings together all the realised and recognised gains and losses of the Council during the year and identifies those which have not been recognised in the Consolidated Revenue Account.

	Capital Accounts and Reserves					Revenue Balances and Reserves			Total
	Fixed Asset Restatement Account (Note 1) £	Capital Financing Account (Note 2) £	Usable Capital Receipts (Note 3) £	Specific Reserves* £	Pension Reserve £	General Fund £	Specific Reserves* (Including Collection Fund) £	Housing Revenue Account £	
Balance at beginning of year	(440,969,033)	(100,682,722)	(25,754,711)	(3,601,429)	20,077,000	(6,651,753)	(606,252)	(2,056,122)	(560,245,022)
Net deficit for year	0	4,342,163	0	517,467	2,251,000	473,047	(642,516)	156,326	7,097,487
Revaluation/review as at 1st April 2005	122,374,724	0	0	0	0	0	0	0	122,374,724
Effects of disposals of fixed assets grants: Cost or value of assets disposed of	4,293,914	0	0	0	0	0	0	0	4,293,914
Effects of amounts payable to the housing capital receipts pool	0	0	1,387,008	0	0	0	0	0	1,387,008
Proceeds of sale	0	0	(4,594,105)	0	0	0	0	0	(4,594,105)
Deferred charges written out	0	1,593,714	0	0	0	0	0	0	1,593,714
Financing of:									
Fixed Assets	0	(10,962,404)	7,515,923	0	0	0	0	0	(3,446,481)
Deferred Charges	0	(1,593,714)	1,307,162	0	0	0	0	0	(286,552)
Credit cover for credit arrangement (net of liability)	0	0	0	0	0	0	0	0	0
Balance at end of year	(314,300,395)	(107,302,963)	(20,138,723)	(3,083,962)	22,328,000	(6,178,706)	(1,248,768)	(1,899,796)	(431,825,313)

* These specific reserves relate solely to the General Fund and are itemised in Note 10 to the Consolidated Balance Sheet.

Notes to the Statement of Total Movement in Reserves

1. Fixed Asset Restatement Account

This account shows the decrease in the value of fixed assets as a result of the revaluation of those assets. The balance is written down by the net book value of disposed assets and is debited or credited with decreases or increases arising on revaluations.

Total 2004/05		General Fund	Housing Revenue Account	Total 2005/06
£		£	£	£
(397,118,818)	Revaluation as at 1st April 2001 of fixed assets less prior year disposals	(2,094,019)	(438,875,014)	(440,969,033)
(52,763,175)	Revaluation as at 1st April of fixed assets	0	122,374,724	122,374,724
8,912,960	Disposal of fixed assets	10,900	4,283,014	4,293,914
<u>(440,969,033)</u>		<u>(2,083,119)</u>	<u>(312,217,276)</u>	<u>(314,300,395)</u>

2. Capital Financing Account

This account contains the amount of capital expenditure financed from capital receipts, grants and revenue and the amount charged to revenue for depreciation/amortisation.

Total 2004/05		General Fund	Housing Revenue Account	Total 2005/06
£		£	£	£
(95,555,999)	Balance at beginning of year			(100,682,722)
	Add capital expenditure financed from;			
	capital receipts			
(6,861,884)	usable	(1,056,176)	(7,542,486)	(8,598,662)
(1,985,023)	reserved(negative credit ceiling)	0	0	0
(541,137)	revenue	(349,086)	0	(349,086)
(192,056)	grants and reserves	(260,816)	(147,478)	(408,294)
(3,009,543)	Major Repairs Allowance	0	(3,200,076)	(3,200,076)
	Add/less set aside from;			
1,985,023	negative credit ceiling	0	0	0
4,015,738	Less depreciation	1,142,087	3,200,076	4,342,163
1,450,819	Less deferred charges written out	1,593,714	0	1,593,714
	Less liability in respect of credit arrangement	0	0	0
<u>11,340</u>		<u>0</u>	<u>0</u>	<u>0</u>
<u>(100,682,722)</u>				<u>(107,302,963)</u>

3. Usable Capital Receipts Reserve

These are capital receipts which are available to finance new capital expenditure in the future.

Total 2004/05		General Fund	Housing Revenue Account	Total 2005/06
£		£	£	£
(26,600,825)	Balance at beginning of year	(254,682)	(25,500,029)	(25,754,711)
	Add			
	Capital receipts received during year			
(9,244,027)	from sale of assets	(388)	(4,593,717)	(4,594,105)
	Less			
8,846,906	Capital receipts applied during year	1,056,176	7,542,486	8,598,662
193,684	Capital receipts transferred to reserves	224,423	0	224,423
1,049,551	Capital receipt payments to ODPM	0	1,387,008	1,387,008
(25,754,711)		1,025,529	(21,164,252)	(20,138,723)

4. Pensions

The Code of Practice requires the movement in the Pensions Reserve to be given over a five year period beginning from the introduction of FRS17.

	Year to 31st March 2003		Year to 31st March 2004		Year to 31st March 2005		Year to 31st March 2006	
	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	(10,300)	(36.3)	4,970	14.1	1,909	4.8	7,058	14.2
Differences between actuarial assumptions and actual experience on liabilities	210	0.5	(10)	0.0	(3,667)	(6.1)	(3)	0.0
Changes in demographic and financial assumptions underlying the present value of the scheme liabilities	0		0		(10,729)	18.0	(8,048)	(11.2)
Actuarial gain / (loss)	<u>(10,090)</u>	-25.7%	<u>4,960</u>	11.7%	<u>(12,487)</u>	-20.9%	<u>(993)</u>	-1.4%
Net appropriation to Consolidated Revenue Account from pension reserve / liability	(346)		(1,361)		(520)		(1,258)	
Appropriation to Consolidated Revenue Account in respect of pension liabilities	0		236		0		0	
Reassessment of / adjustment for opening balance for unfunded benefits	0		(66)		1,222			
Movement in Pensions Reserve	<u>(10,436)</u>		<u>3,769</u>		<u>(11,785)</u>		<u>(2,251)</u>	