

Statement of Accounts for year ended 31 March 2007

Contents	Page Number
Explanatory Foreword	2
Statement of Responsibilities	9
Auditors Report	10
Statement on Internal Control	13
Statement of Accounting Policies	18
Core Financial Statements	
Income and Expenditure Account	24
Statement of Movement on General Fund	25
Statement of Total Recognised Gains and Losses	25
Balance Sheet	26
Cash Flow Statement	27
Notes to Core Financial Statements	
Notes (1 – 13) to Income and Expenditure Account	29
Notes (14 – 31) to Balance Sheet	37
Notes (32 – 36) to Cash Flow Statement	47
Supplementary Financial Statements	
Housing Revenue Income and Expenditure Account	50
Collection Fund	52
Notes to Supplementary Financial Statements	
Notes (37 –44) to Housing Revenue Income and Expenditure Account	54
Notes (45 – 48) to Collection Fund	58
Glossary of Financial Terms and Abbreviations	60

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Explanatory Foreword

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) Core financial statements:
 - i) the Income and Expenditure Account summarising revenue expenditure and income for the year on all services compiled in accordance with generally accepted accounting practice;
 - ii) the Statement of Movement on the General Fund balance which reconciles the deficit on the Income and Expenditure Account with the amount to be met from the General Fund balance/Council Tax;
 - iii) the Statement of Total Recognised Gains and Losses which shows other gains and losses which have not been included in the Income and Expenditure Account;
 - iv) the Balance Sheet setting out the financial position of the Council as at 31 March with the balances and reserves available for future use and the assets employed in its operations; and
 - v) the Cash Flow Statement which summarises the inflows and outflows of cash arising from transactions with third parties;with associated notes grouped together for all the core financial statements.
- c) Supplementary financial statements:
 - i) 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; and
 - ii) 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.

Income and Expenditure Account

This Account records the day-to-day expenditure incurred in providing services such as salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. Also included are various costs to comply with the standard accounting practice but do not impact on the level of council tax. This Account consolidates the General Fund (services for the whole community), the Housing Revenue Income and Expenditure Account (Council housing) and the Direct Service Organisation (trading activities).

The additional costs to comply with accounting practice are reversed out in the Statement of Movement on the General Fund Balance. If the Account and Statement are combined, then the position for General Fund Services and the council tax can be summarised as:

	Expenditure/(Income)
	£'000
Net cost of services	17,828
Corporate income and expenditure	
Parish precepts	2,824
Interest	(1,950)
	<u>874</u>
Net operating expenditure	18,702
Less depreciation, pension costs, deferred charges, etc.	<u>(3,699)</u>
Amount to be met from Government Grants and local taxpayers	15,003
Principal sources of finance	
Council taxpayers	
District	(5,454)
Parishes	(2,824)
Government grants including redistributed business rates	(7,174)
Other items	<u>82</u>
	<u>(15,370)</u>
Surplus for the year	<u>(367)</u>

When the council tax for the financial year ending 31 March 2007 was set in February 2006, the deficit was estimated at £1,388,090, a variance of £1,755,300. This variance includes a substantial amount for notional interest which is no longer charged to services in the accounts and thereby makes services appear to be underspent. A more valid comparison on a like for like basis would be with the revised estimate for the deficit of £188,140, a variance of £555,350 attributable to:

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Actual to Revised Estimate	Underspending or Slippage () /Overspending +	
	£'000	£'000
Services		
Refuse and Recycling	(101)	
Cost of collection - council tax	(62)	
Homelessness	(50)	
Other items individually under £50,000	<u>(425)</u>	
Variance in net portfolio expenditure on like for like basis		(638)
General Fund Summary		
Interest on balances	7	
Depreciation	(126)	
Financing Charges-mainly release of deferred grants	<u>202</u>	
		<u>83</u>
		<u>(555)</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	2,827
Management and services	4,905
Depreciation of fixed assets	3,211
Transfer to National Pool (negative housing subsidy)	9,199
Other	<u>(95)</u>
	20,047
Rents and charges	(20,423)
Receipt from General Fund	(399)
Interest	<u>(110)</u>
	<u>(20,932)</u>
Surplus for the year	<u>(885)</u>

When rents for the financial year ending 31 March 2007 were set in February 2006, the deficit was estimated at £404,630. The variance of £1,289,848 is attributable to the following:

Underspending or slippage()
/Overspending+

Actual to Estimate

	£'000
Sheltered Housing	(394)
Transfer to National Pool	(301)
Unused provision for unanticipated expenditure	(180)
Gross rent income	(138)
Provision for bad or doubtful debts	(75)
DLO surplus	(67)
Interest receivable	(61)
Other items individually under £50,000	(74)
	<u>(1,290)</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 £13.04 million. The major part of the programme involved the provision of housing, with £10.24 million being invested in improving the Council's own housing stock.

Treasury Management

At the 31 March 2007, investments totalled £31.27 million, an increase of £3.82 million over the previous year-end. These investments produced interest of over £1.9 million, which was used to pay for the cost of services.

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

Balances and Reserves

The balances on the General Fund and the Housing Revenue Account remained high at £6.5 million and £2.8 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 £15.6 million, consisting of the usable capital receipt reserve. The Council's capital programme allows for the planned and phased use of these reserves.

Pensions

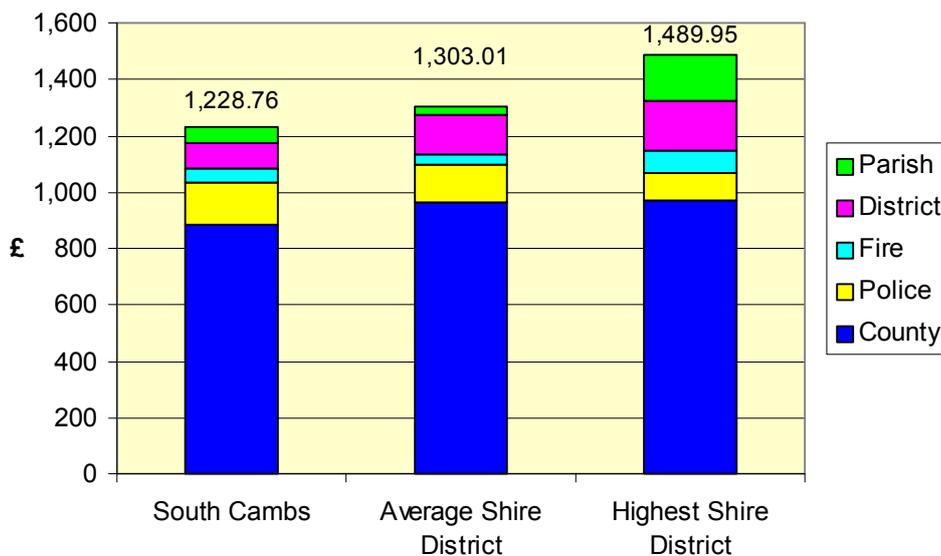
The accounting policy relating to pensions reflects the full adoption of Financial Reporting Standard 17 (FRS17) Retirement Benefits whereby pension liabilities incurred during the year are charged to the cost of services and then reversed out with the pension deficit being shown as a liability in the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

South Cambridgeshire’s pension deficit is estimated at £19.4 million as at 31 March 2007. 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 2006/07 was 13.3%. The formal valuation of assets and liabilities, for the purposes of determining contribution rates as at 31 March 2004 to be effective from 1 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 2006/07 was £1,228.76. 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:



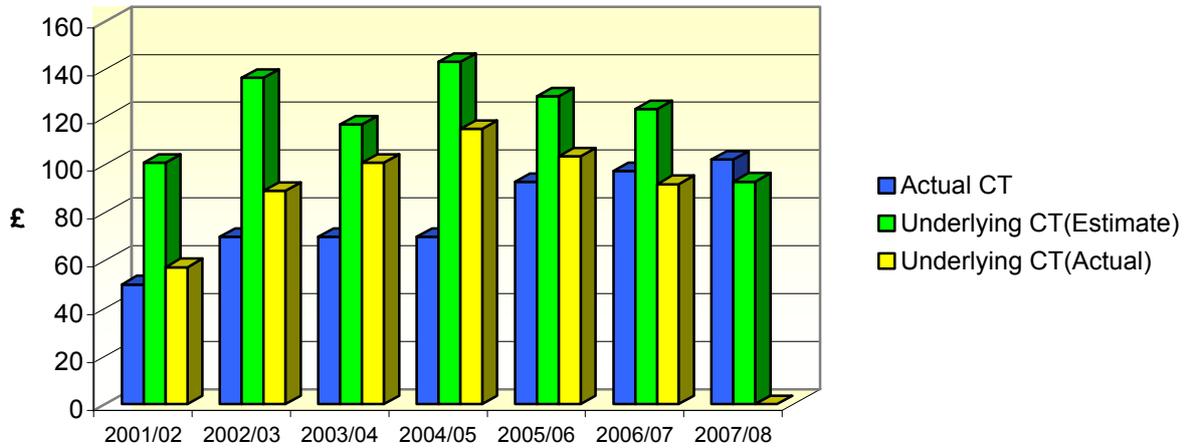
The district council figures were £97.48 (South Cambridgeshire), £147.29 (average) and £180.87 (highest).

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. However, the Government capped the Council's budget such that it had to cut services by almost 20% and set a lower council tax of £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 set out what we have achieved and what we plan to achieve. The Council Performance Plan 2007 will be published in June 2007 and includes information relating to service performance during the year 2006/07.

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.

The Future for Council Housing in South Cambridgeshire

The Council considers that two possible options are retaining the stock within the Council or transferring the whole stock to a housing association as being most appropriate. The "Housing Futures" project consists of a first phase of gathering and communicating financial facts and figures and, if at the end of the calendar year 2007 Council decides to proceed, a second phase including a tenant ballot.

Affordable housing

The Council has in 2006/07 transferred most of 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 nominal 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.

Inspire

Inspire is the brand for the Council's Improvement Plan which was compiled following a corporate governance inspection report by the Audit Commission in February 2007. The Plan sets out how the Council will respond to the report and how it is embarking on a comprehensive improvement journey with workstreams covering prioritisation, partnership, standards, communications, population growth, future housing stock options and process and systems improvement.

Accounting Policies

In order to comply with the current Code of Practice on Local Authority Accounting, there has been a change in a number of accounting policies. These relate to the removal of the capital financing charge (notional interest), deferred capital grants now being credited to services, and gains and losses on the disposal of fixed assets now being recognised in the Income and Expenditure Account. Prior year figures have been adjusted as shown in note 1 to the accounts.

Auditor's Opinion

The Statement of Accounts has been audited with the Auditor's opinion on page 10.

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

26 September 2007

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 Chief Executive and Chief Finance Officer;
- 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 Chief Executive and Chief Finance Officer

The Chief Executive and Chief Finance Officer 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 - A Statement of Recommended Practice ("the SORP").

In preparing this Statement of Accounts, the Chief Executive and Chief Finance Officer has:

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

The Chief Executive and Chief Finance Officer has also:

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

The Statement of Accounts presents fairly the financial position of the Authority at 31 March 2007 and its income and expenditure for the year then ended.

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

Dated: 22 June 2007

I confirm that these accounts were approved by the Corporate Governance Committee held on the 29 June 2007.

Chairman of the Corporate Governance Committee

Dated: 29 June 2007

Independent auditors' report to the Members of { name}South Cambridgeshire District Council

Opinion on the financial statements

We have audited the financial statements of South Cambridgeshire District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Statement of Movement of General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the supplementary statements and related notes.

These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to South Cambridgeshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority or its Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a Best Value Performance Plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in *July/August 2005*, in all significant respects, South Cambridgeshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in December 2006. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature..... date.....

Grant Thornton UK LLP
Daedalus House
Station Road
Cambridge
CB1 2RE

Statement of Internal Control: 2006-07

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 2007 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. Risks at the operational level and associated action plans are now incorporated in the service level risk registers;

- 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 appointed the Audit Panel, which considered 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 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 Chief Executive and Chief Finance Officer should be taken on whether any decisions are outside the budget and policy framework;
- the Chief Executive and Chief Finance Officer 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 2006/07, Internal Audit has provided satisfactory assurance that the internal controls are fundamentally sound and accord with proper practice.

This takes into account the following factors:

- the Audit Commission's corporate governance inspection 2006/07 concluded that South Cambridgeshire District Council's political leadership is poor, and failing to tackle some serious issues that are undermining the way the Council works;
- 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;
- the Use of Resources assessment 2006 carried out by the Council's External Auditors in December 2006 / January 2007 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 Council has historically always had low staffing levels, was capped in 2005/06 with almost a 20% budget reduction and is limited to Council Tax increases of less than 5% to comply with Government expectations. With this low level of staff resources, there are always likely to be significant internal control issues which may be mitigated but not completely resolved.

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 Audit Commission's corporate governance inspection 2006/07 concluded that South Cambridgeshire District Council's political leadership is poor, and failing to tackle some serious issues that are undermining the way the Council works; including political leadership and culture, focus on the needs of the communities the Council serves, and decision making and accountability.	As reported to Cabinet and Council, an Improvement Board has been formed, additional resources of £300,000 per annum has been allocated to improve capacity and an Improvement Plan has been drawn up in accordance with acknowledged project management principles with regular reports to Cabinet.
2.	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 reduction in management capacity has been mitigated by the retention of four existing second tier posts, the creation of the new post of Principal Solicitor and limited regrading of third tier posts at an overall ongoing cost of £125,000. The business process reviews have been subsumed in to one of the workstreams of the Improvement Plan but targets for financial savings have still to be met.
3.	Lack of regular reconciliations including key feeder systems to the general ledger and lack of checks on the completeness of information on other financial systems	Every effort will be made to ensure that reconciliations are completed and signed off on a monthly basis, although the lack of staffing resources may not allow this to be achieved at peak times.
4.	The current Monitoring Officer is not a legally qualified officer, to enable effective conduct of duties and responsibilities.	The Monitoring Officer is supported by the Deputy Monitoring Officer who is the Council's qualified Principal Solicitor. The Principal Solicitor is head of the legal team of experienced qualified staff. The engagement of Counsel or other legal representation is exempt from Contract Standing Orders.
5.	Under the 'Draft s11 Statutory Guidance on Making Arrangements to Safeguard and promote the Welfare of Children', the Council as one of the partners of the Local Children's Safeguarding Board has responsibility for ensuring the welfare of young children, and funding for this is considered inadequate by senior managers to meet this requirement.	A cross-service officer group has considered our duties under Section 11, and a response is being sent to the Local Safeguarding Board, including an action plan for steps to improve our current practice within the available resource constraints.

No.	Issue	Action
6.	<p>The Housing Department should:</p> <ul style="list-style-type: none"> i. have a formal system for assessing the performance of the grounds maintenance contractor; ii. ensure that any variations to housing repairs works tickets are raised on the Orchard system; iii. securely hold contract agreements; and iv. have contract agreements for all providers of temporary accommodation in accordance with contract standing orders. 	<p>The Housing Services Manager, prior to payment, checks with Housing Officers that work has been performed in their area in compliance with the contract; variations on housing repairs are now recorded on the system and the requirements relating to contracts will be adhered to.</p>
7.	<p>With regard to ICT, issues include the completion of a telecommunications strategy, voicemail management and security and the configuration and functioning of and reporting from the call logger.</p>	<p>Telecommunications is being incorporated as part of the overall ICT Strategy. Voicemail and call logging are being progressed as part of the customer service initiative and reported to Service First meetings.</p>

Considered by the Audit Panel on 25 April 2007 and approved by:

G. J. Harlock
 Chief Executive and Chief Financial Officer
 22 June 2007

Councillor R. M. A. Manning
 Leader of the Council
 22 June 2007

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.

The accounts have been prepared on a historical cost basis modified by the revaluation of certain categories of tangible fixed assets.

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 or deficit on the revaluation of fixed assets has been credited or debited 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.

Fixed assets disposed of during the year have been revalued at the proposed date of disposal such that the carrying amount in the balance sheet is then equal to the sale price and there is no gain or loss on disposal.

Income from the disposal of fixed assets where the amount due is greater than £10,000 is credited to the Income and Expenditure Account and the carrying value of the assets is debited to the Income and Expenditure Account. Gains and losses on the disposal of assets are reversed out of the Statement of Movement on the General Fund balance by crediting the Usable Capital Receipts Reserve with an amount equal to the disposal proceeds and debiting the Fixed Asset Restatement Account with an amount equal to the book value of the disposal.

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 to the appropriate revenue account over the following periods:

	Years
Buildings other than dwellings	35/60
Information and Communications Technology (ICT)	3
Vehicles and Plant (Most vehicles are contract hired.)	7/10

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.

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 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.

Deferred charges are amortised to the Income and Expenditure Account in the year in which they occur and reversed out from the Statement of Movement on the General Fund balance to the Capital Financing Account.

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 accruals basis.

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 relevant service 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 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. Where income and expenditure has been recognised in the accounts but cash has not been received or paid, a debtor or creditor is recorded in the balance sheet.

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 Statement of Movement on the General Fund Balance. The movement in the earmarked reserves is shown in a note to the Balance Sheet.

Deferred liabilities are monies received from developers under Section 106 of the Town and Country Planning Act 1990 for future expenditure on drainage and community costs and development.

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 Statement of Movement on the General Fund and Housing Revenue Account balances and payments to the pension scheme are added in. The 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 Income and Expenditure Account and the 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 1 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 and Contingent Liabilities

The Council sets aside Provisions for specific future expenses, which are likely or certain to be incurred and which can be reliably estimated, Provisions are charged to the appropriate service revenue account and shown in the Balance Sheet.

Contingent liabilities are a) possible obligations which will only be confirmed by uncertain future events and which can or cannot be measured with sufficient reliability or b) present obligations which cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the accounting statements but are disclosed in the notes to the accounting statements.

13. VAT

VAT is excluded from the capital and revenue accounts as it is all recoverable.

Core Financial Statements

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement

Income and Expenditure Account

2005/06 Net Expenditure £		2006/07 Gross Expenditure £	2006/07 Gross Income £	2006/07 Net Expenditure £
	Expenditure on services			
2,598,677	Central Services	3,474,040	(451,414)	3,022,626
1,302,763	Central Services to the Public	7,093,917	(5,908,548)	1,185,369
	Cultural, Environmental and Planning Services			
1,746,866	Cultural and Related Services	1,775,692	(52,884)	1,722,808
4,870,065	Environmental Services	6,692,839	(1,959,236)	4,733,603
3,332,214	Planning and Development Services	6,134,057	(1,934,067)	4,199,990
278,040	Highways, Roads and Transport Services	715,013	(84)	714,929
	Non HRA Housing			
524,472	Personal Social Services	405,209	(44,398)	360,811
187,697	Housing Benefit and Administration	16,125,993	(15,924,260)	201,733
705,404	Private Sector Housing Renewal	739,761	(8,165)	731,596
145,399	Supporting People	348,499	(239,888)	108,611
434,092	Other Non HRA Housing Services Expenditure	624,336	(169,082)	455,254
(171)	Miscellaneous Services	0	(180)	(180)
<u>193,272</u>	Other Contributions to/from HRA	<u>163,513</u>		<u>163,513</u>
16,318,790	General Fund Services-Continuing operations	44,292,869	(26,692,206)	17,600,663
<u>447,473</u>	Housing Revenue Account Services	<u>20,345,761</u>	<u>(20,878,541)</u>	<u>(532,780)</u>
16,766,263	Net cost of services	<u>64,638,630</u>	<u>(47,570,747)</u>	17,067,883
0	Loss on disposal of fixed assets			2,568,718
2,532,667	Precepts of Local Precepting Authorities			2,823,929
1,387,008	Payment to the Government for Housing Pooled Capital Receipts			2,759,456
(1,891,106)	Interest and investment income			(1,950,916)
<u>461,000</u>	Pensions interest cost and expected return on pension assets			<u>191,000</u>
19,255,832	Net operating expenditure			23,460,070
(7,650,657)	Demand on Collection Fund			(8,278,329)
33,916	Transfers from Collection Fund			82,150
(2,432,232)	Government Grants			(1,210,285)
<u>(3,858,034)</u>	Distribution from Non-Domestic Rate Pool			<u>(5,963,235)</u>
<u>5,348,825*</u>	Deficit for the year			<u>8,090,371</u>

* The Income and Expenditure Account summarises the cost of providing services and amounts due to and from the Council, all operations arise from continuing activities. The deficit includes depreciation, deferred charges, pension costs and payment of capital

receipts to the Government – none of which are financed from the Council Tax / General Fund as shown on the next page.

Statement of Movement on the General Fund Balance

2005/06		2006/07
Net		Net
Expenditure		Expenditure
£		£
	Note	
5,348,825	Deficit for the year on the Income and Expenditure Account	8,090,371
(4,875,778)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	3 (8,457,581)
<u>473,047</u>	Decrease/(Increase) in General Fund Balance for the year	<u>(367,210)</u>
(6,651,753)	General Fund Balance brought forward	(6,178,706)
<u>(6,178,706)</u>	General Fund Balance carried forward and available for the future use of the Council	<u>(6,545,916)</u>

Statement of Total Recognised Gains and Losses

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2005/06		2006/07
£		£
5,348,825	Deficit on the Income and Expenditure Account for the year	8,090,371
122,374,724	Surplus or deficit arising on the revaluation of fixed assets	(25,461,769)
993,000	Actuarial gains and losses on pension fund assets and liabilities	(4,740,000)
(296,840)	Any other gains or losses for the year	(118,086)
<u>128,419,709</u>	Total recognised gains and losses for the year	<u>(22,229,484)</u>

Balance Sheet

31 March 2006			31 March 2007	
£		Note	£	£
	Tangible Fixed Assets	14		
	Operational			
401,406,933	Council dwellings		425,152,458	
17,999,577	Other land and buildings		16,407,530	
1,681,295	Vehicles, plant and equipment		1,736,792	
106,682	Infrastructure		95,404	
368,694	Community assets		368,693	
	Non-operational			
185,000	Investment Properties		185,000	
0	Assets under construction		59,375	
1,971,779	Surplus assets, held for disposal		2,016,240	
<u>423,719,960</u>				<u>446,021,492</u>
213,381	Long Term Debtors-Mortgages			184,131
<u>423,933,341</u>	Total Long Term Assets			<u>446,205,623</u>
	Current Assets			
8,871	Stocks	16	2,287	
10,592,399	Debtors	17	5,595,786	
27,450,110	Investments	18	31,270,110	
732,725	Cash and Bank		744,565	
<u>38,784,105</u>				<u>37,612,748</u>
	Current Liabilities			
(5,766,606)	Creditors	19	(8,373,352)	
(1,221,018)	Cash overdrawn		(905,791)	
<u>(6,987,624)</u>				<u>(9,279,143)</u>
<u>31,796,481</u>	Net Current Assets			<u>28,333,605</u>
455,729,822	Total Assets less Current Liabilities			474,539,228
(294,343)	Deferred Liabilities	20		(553,582)
(651,344)	Deferred Credits and Grants	21		(509,849)
(630,822)	Provisions	28		0
(22,328,000)	Liability related to defined benefit pension schemes	30		(19,421,000)
<u>431,825,313</u>	Net Assets	26		<u>454,054,797</u>
	Accounts, Balances and Reserves			
(314,300,395)	Fixed Asset Restatement Account	23		(330,136,104)
(107,302,963)	Capital Financing Account	24		(114,040,562)
(20,138,723)	Usable Capital Receipts Reserve	25		(15,565,050)
(4,647,836)	Earmarked Reserve	22		(4,304,999)
22,328,000	Pensions Reserve			19,421,000
	Revenue Balances			
(6,178,706)	General Fund			(6,545,915)
(1,899,796)	Housing Revenue Account			(2,785,014)
315,106	Collection Fund			(98,153)
<u>(431,825,313)</u>				<u>(454,054,797)</u>

Signed

G.J.Harlock, CPFA

Chief Executive and Chief Finance Officer

Dated 26 September 2007**Cash Flow Statement**

2005/06		2006/07	2006/07
£	Revenue Activities	£	£
	Cash Outflows		
14,163,746	Cash paid to and on behalf of employees	14,527,086	
14,275,659	Other operating cash payments	12,406,342	
8,659,911	Negative housing subsidy paid to Government	9,199,413	
6,020,790	Housing Benefit paid out	6,796,411	
50,635,564	National Non-Domestic Rate Payments to the National Pool	44,785,685	
46,345,721	Precepts paid to County Council	49,193,676	
7,427,047	Precepts paid to Police Authority	7,881,541	
2,643,369	Precepts paid to Fire Authority	2,791,389	
2,532,667	Precepts paid to Parishes	2,823,929	
654,038	Payment to Capital Receipts Pool	<u>2,501,652</u>	
			152,907,124
	Cash Inflows		
(9,504,369)	Rents(after rebates)	(9,797,175)	
(59,940,269)	Council Tax receipts (after benefits)	(64,434,554)	
(3,858,034)	National Non Domestic Rates from National Pool	(5,963,235)	
(46,225,290)	Non Domestic rate receipts	(51,309,816)	
(2,432,232)	Revenue Support Grant	(1,210,285)	
(17,611,990)	DWP grants for benefits	(19,881,216)	
(1,446,945)	Other Government Grants	(1,608,756)	
(8,157,909)	Cash received for goods and services	<u>(6,886,356)</u>	
			<u>(161,091,393)</u>
<u>4,181,474</u>	Revenue Activities Net Cash Flow		(8,184,269)
	Returns on Investment		
	Cash Inflows		
(2,081,573)	Interest received	<u>(1,674,358)</u>	
			(1,674,358)
	Capital Activities		
	Cash Outflows		
11,151,406	Purchase of Assets	11,175,177	
1,848,671	Deferred Charges	2,045,738	
	Cash Inflows		
(4,594,105)	Sale of Fixed Assets	(6,759,346)	
(736,753)	Capital Grants received	(749,379)	
(610)	Other capital cash receipts	<u>(630)</u>	
<u>9,768,510</u>	Net cash inflow before financing		<u>5,711,560</u> (4,147,067)

Management of Liquid Resources

(10,050,000)	Net (decrease) in short term deposits	3,820,000
<u>(281,490)</u>	Net Increase in cash	<u>(327,067)</u>

Notes to Core Statements

- Notes to the Income and Expenditure Account
- Notes to the Balance Sheet
- Notes to the Cash Flow Statement

Notes to Income and Expenditure Account

1. Post Period Adjustments

In accordance with recommended practice, the Income and Expenditure Account incorporates changes in accounting policy:

A capital charge (notional interest) is no longer made for the use of fixed assets;
and
Capital grants are now amortised to the relevant service account over the life of the asset.

The comparative figures for 2005/06 have been restated compared to those published in the 2005/06 Statement of Accounts and are presented on the following page:

Notes to Income and Expenditure Account

1. Prior Period Adjustments

	Consolidated Revenue Account in the 2005/06 Statement of Accounts Net Expenditure £	Removal of capital financing charge (notional interest) £	Relocation of government grants deferred credits £	Interest relocated as non operating income £	Pensions relocated as non operating income £	DLO/DSO deficits and related pension costs relocated £	Income and Expenditure Account for 2005/06 in the 2006/07 Statement of Accounts Net Expenditure £
Expenditure on services							
Central Services	2,741,578	(95,122)	(47,779)				2,598,677
Central Services to the Public	1,374,401	(47,686)	(23,952)				1,302,763
Cultural, Environmental and Planning Services							
Cultural and Related Services	1,950,150	(106,298)	(96,986)				1,746,866
Environmental Services	5,169,933	(196,811)	(103,057)				4,870,065
Planning and Development Services	3,515,735	(122,251)	(61,270)				3,332,214
Highways, Roads and Transport Services	309,534	(26,100)	(5,394)				278,040
Non HRA Housing							
Personal Social Services	553,313	(19,198)	(9,643)				524,472
Housing Benefit and Administration	198,018	(6,870)	(3,451)				187,697
Private Sector Housing Renewal	744,195	(25,821)	(12,970)				705,404
Supporting People	153,394	(5,322)	(2,673)				145,399
Other Non HRA Housing Services Expenditure	457,962	(15,889)	(7,981)				434,092
Miscellaneous Services	(180)	6	3				(171)
Negative Subsidy Entitlement from HRA	0						
Other Contributions to/from HRA	176,370	(6,119)	(3,074)			26,095	193,272
General Fund Services-Continuing operations	17,344,403	(673,481)	(378,227)				16,318,790
Housing Revenue Account Services	156,326			86,927	158,565	45,655	447,473
Net cost of services	17,500,729						16,766,263
Precepts of Local Precepting Authorities	2,532,667						2,532,667
Net deficit of Direct Service Organisation (excl.appropriations)	164,360					(164,360)	0
Transfer from Asset Management Revenue Account	(974,593)	673,481	378,227	(77,115)			0
Payment to the Government for Housing Pooled Capital Receipts	1,387,008						1,387,008
Interest and investment income	(1,881,294)			(9,812)			(1,891,106)
Pensions interest cost and expected return on pension assets	369,283				91,717		461,000
Net operating expenditure	19,098,160						19,255,832
Contribution from reserves equal to net pension liability	(1,007,718)				(250,282)		(1,258,000)
Contribution to/from reserves	(105,848)					92,610	(13,238)
Total Adjustments		0	0	0	0	0	

2. Explanation of the significance of the Statement of Movement on the General Fund

The Income and Expenditure Account is compliant with UK Generally Accepted Accounting Practice (GAAP) which applies in both the public and private sectors. However, local authorities are also subject to statutory requirements governing expenditure and income which must be excluded and that which can be included in the General Fund and thereby financed from the Council Tax.

Note 3 shows the adjustments which have to be made to convert the GAAP compliant Income and Expenditure to the statutory General Fund.

It is the credit balance on the General Fund which is available as a working balance and/or to finance services in future years.

3. Analysis of statutory/non-statutory adjustments

2005/06 £	Analysis of net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year:	2006/07 £
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(1,074,437)	Depreciation and impairment of fixed assets (excluding depreciation charged to HRA services)	(1,296,956)
0	Government Grants Deferred amortisation matching depreciation and impairments	201,855
(1,082,739)	Amounts treated as revenue expenditure in accordance with SORP but which are classified as capital expenditure by statute (i.e. deferred charges)	(1,200,234)
0	Net loss on sale of fixed assets	(2,568,718)
(1,258,000)	Amount by which pension costs calculated in accordance with the SORP (i.e. FRS 17) are different from the contributions due under the pension scheme regulations	(1,833,000)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year	
95,970	Capital expenditure charged to General Fund Balance	0
(1,387,008)	Transfer from Useable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	(2,759,456)
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
(156,326)	Statutorily required transfer of the surplus or deficit for the year on the HRA calculated in accordance with statute to the HRA balance	885,218
(13,238)	Net transfer to or from earmarked reserves	113,710
<u>(4,875,778)</u>	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	<u>(8,457,581)</u>

4. Contributions to (from) reserves and deferred liabilities

2005/06		2006/07
£		£
(92,043)	Contribution from Capital Reserve	0
51,940	Building Control Trading Reserve	43,251
	Contribution to /from Earmarked Reserves	
(394,964)	Recreation and Leisure - Capital	(348,084)
30,114	Recreation and Leisure	(8,954)
961	The Arts	(102,981)
(90,099)	Community Safety	0
(36,850)	Car Parks and Cycleways	(103,457)
(186,177)	Conservation Grants and Initiatives	(12,954)
443,384	Planning Enforcement	342,876
255,887	Planning Delivery	42,893
6,244	Partnership works-Awarded watercourses	276,251
(1,635)	Miscellaneous	(15,131)
(13,238)		113,710

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:

2005/06		2006/07
£		£
123,209	Staff recruitment	118,098
274,494	Public Relations	189,903
49,282	Other	59,135
446,985		367,136

6. Pensions

In 2006/07, expenditure on employer's contributions and charged to the revenue account was £1,465,160 representing 13.3% of employees' pensionable pay (£1,224,394 and 11.2% in 2005/06) 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 31 March 2004 but not implemented until 1 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 2006/07 these were charged to the revenue account and amounted to £104,712 representing 0.95% of pensionable pay (£82,464 and 0.75% in 2005/06).

The movement in the net pension liability is:

2005/06		2006/07
£'000		£'000
	Deficit/pension liability on 1 April	
(18,807)	- funded	(20,919)
<u>(1,270)</u>	- unfunded	<u>(1,409)</u>
		(22,328)
	Movement in the year:	
(3,245)	interest cost (unravelling of the discount)	(3,569)
<u>2,784</u>	expected return on assets	<u>3,378</u>
		(191)
(1,912)	current service cost (net of employee' contributions)	(2,399)
	employer's contributions	
1,228	- funded	1,481
96	- unfunded	165
<u>(209)</u>	gains/losses on settlements and curtailments	<u>(889)</u>
		(1,833)
(993)	actuarial gains / (losses)	4,740
0	less unfunded scheme liability	<u>0</u>
<u>(22,328)</u>	Net pensions liability as at 31 March	<u>(19,421)</u>

Further disclosures are included in notes 30 and 31.

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, CB23 OAP.

7. Members allowances

The total of Members' allowances paid in the year was £326,878 (£327,115 in 2005/06). Further information is available upon request from the Democratic Services Manager, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge, CB23 6EA.

8. Employees' remuneration

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

2005/06		2006/07
3	£50,000 - £59,999	4
1	£60,000 - £69,999	4
2	£70,000 - £79,999	0
1	£80,000 - £89,999	2
1	£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:

2005/06		2006/07
£		£
458,238	Expenditure	443,773
<u>(510,178)</u>	Income	<u>(487,294)</u>
(51,940)	(Surplus) / Deficit	(43,521)
	Additional pensions liability under Financial	
<u>14,918</u>	Reporting Standard (FRS) 17	<u>22,873</u>
<u>(37,022)</u>		<u>(20,648)</u>

10. Trading operations

2005/06		2006/07
£		£
	Direct Service Organisation	
	Refuse Collection, Street Cleansing, Awarded	
Part of	Watercourses and Cesspool Emptying	Part of
service	Turnover	service
account	Deficit	account
	Grounds Maintenance	
274,298	Turnover	285,698
55,294	Deficit	13,207
	Direct Labour Organisation	
	Building Maintenance	
2,289,759	Turnover	2,938,888
60,536	Deficit/(Surplus)	(66,534)
115,830	Total Deficit/(Surplus)	(53,327)
	Additional pensions liabilities under Financial	
<u>48,530</u>	Reporting Standard (FRS) 17	<u>64,955</u>
<u>164,360</u>	Total Deficit	<u>11,628</u>

11. External Audit and Inspection costs

Expenditure during the year on audit costs was:

2005/06		2006/07
£		£
31,000	Auditing accounts	32,000
71,750	Use of resources	78,000
	Inspection fee payable to the	
10,959	Audit Commission	13,335
32,999	Certifying grant claims	32,629
2,826	Other services	0
<u>149,534</u>		<u>155,964</u>

12. Related party disclosures

In 2006/07, 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 2006/07 or in 2005/06.

Notes to the Balance Sheet

14. Tangible fixed assets

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

	Balance at 31 March 2006	Revaluation/ Adjustments at 1 April 2006	Additions during year	Disposals during year	Depreciation for year	Balance at 31 March 2007
Operational						
Council dwellings	401,406,933	26,320,151	10,242,276	(9,605,605)	(3,211,297)	425,152,458
Other land and buildings	17,999,577	(1,563,486)	232,167	(12,573)	(248,155)	16,407,530
Vehicles, plant and equipment	1,681,295	465,198	456,756	(1,500)	(864,957)	1,736,792
Infrastructure	106,682	0	0	0	(11,278)	95,404
Community Assets	368,693	(6,048)	6,048	0	0	368,693
Non operational						
Investment Properties	185,000	0	0	0	0	185,000
Assets under construction	0	0	59,375	0	0	59,375
Surplus assets, held for disposal	1,971,780	44,460	0	0	0	2,016,240
	423,719,960	25,260,275	10,996,622	(9,619,678)	(4,335,687)	446,021,492
					Def.Chgs written out	
Deferred Charges	0	0	2,045,738	0	(2,045,738)	0
	423,719,960	25,260,275	13,042,360	(9,619,678)	(6,381,425)	446,021,492

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 1 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, and
- Other land and buildings and investment properties valued as at 1 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.
- South Cambridgeshire Hall valued as at 1 April 2006 by Mr. Mark Catley, MRICS, FAAV, District Valuer, East of England.

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 37 on page 55. 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	10,996,622	Capital Receipts	8,487,598
Deferred Charges	2,045,738	Revenue	507,813
		Grant	707,337
		Major Repairs Allowance	3,211,297
		Reserves	128,315
	<u>13,042,360</u>		<u>13,042,360</u>

An analysis of fixed assets is:

31 March 2006 (Numbers)		31 March 2007 (Numbers)
5,820	Council dwellings	5,719
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 31 March 2007 were £0.25 million on Housing and £1.52 million on General Fund, but these commitments are more than covered by usable housing capital receipts and from earmarked reserves in the General Fund.

15. Leases

There were no new finance lease agreements during 2006/07.

Payments of £839,800 in respect of vehicle operating leases were made in 2006/07 (£881,938 in 2005/06).

In respect of contract hire agreements for vehicles, the Council is committed to make payments of £641,354 in the financial year 2007/08 analysed as:

	£
commitments expiring in the year 2007/08	50,776
commitments expiring in the year 2008/09 to 2011/12	590,578
commitments expiring in the years 2012/13 and later	<u>0</u>
	<u>641,354</u>

16. Stocks and works in progress

31 March 2006		31 March 2007
£		£
1,018	Catering	1,054
<u>7,853</u>	Post	<u>1,233</u>
<u>8,871</u>		<u>2,287</u>

17. Debtors

31 March 2006		31 March 2007
£		£
7,699,044	Government Departments	2,591,307
631,090	Non-Domestic Ratepayers	668,167
1,476,061	Council Tax	1,346,033
624,879	Housing Rents	549,327
134,190	Cambridgeshire County Council	132,864
28,301	Employee Car Loans	13,969
12,400	Cambridge City Council	0
398,124	Investment Interest	674,506
1,189,463	Sundry Debtors	1,226,533
<u>(1,601,153)</u>	Provision for Doubtful Debts	<u>(1,606,920)</u>
<u>10,592,399</u>	Total	<u>5,595,786</u>

18. 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.

31 March 2006		31 March 2007
£		£
4,500,000	Local Authorities	
	Clearing Banks	9,500,000
	Subsidiaries of Clearing Banks	
2,000,000	Banks, other	2,500,000
450,000	Money Market Funds	270,000
	Building Societies with assets:	
3,000,000	greater than £10,000 million	0
3,000,000	between £5,000 million and £10,000 million	4,000,000
6,500,000	between £1,500 million and £5,000 million	9,000,000
8,000,000	between £250 million and £1,500 million	6,000,000
110	Government Securities	110
<u>27,450,110</u>	Total	<u>31,270,110</u>

Principal Investments analysed by maturity		
20,950,000	2006/07	0
3,500,000	2007/08	25,270,000
2,000,000	2008/09	2,000,000
1,000,000	2009/10	2,000,000
0	2010/11	1,000,000
0	2011/12	1,000,000
<u>27,450,000</u>		<u>31,270,000</u>

19. Creditors

31 March 2006		31 March 2007
£		£
(1,464,997)	Government Departments	(2,231,603)
(728,713)	Non-Domestic Ratepayers	(1,812,515)
(585,926)	Council Tax	(747,663)
(126,768)	Housing Rents	(152,673)
(467,852)	Cambridgeshire County Council	(996,977)
(131,248)	Cambridge City Council	(109,225)
(2,261,102)	Sundry Creditors	(2,322,696)
<u>(5,766,606)</u>	Total	<u>(8,373,352)</u>

20. 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.

21. Deferred credits and grants

31 March 2006		31 March 2007
£		£
(208,348)	Deferred Capital Receipts	(179,729)
(442,996)	Deferred Government Grants	(330,120)
<u>(651,344)</u>	Total	<u>(509,849)</u>

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.

22. Reserves

	31 March 2006 £	Transactions during year £	31 March 2007 £
Earmarked Reserves			
Capital			
Preservation of Historic Buildings	(61,016)	6,048	(54,968)
Arts Grants	(212,739)	60,564	(152,175)
Dual Use Recreational Facilities	(1,696,095)	295,118	(1,400,977)
Planning Projects	(310,576)	100,937	(209,639)
Community Development	(367,344)	156,087	(211,257)
Sports Development	(312,431)	24,532	(287,899)
Other	(121,264)	(7,721)	(128,985)
Revenue			
Conservation Reserve	(3,996)	863	(3,133)
Building Control Reserve	(527,722)	(43,251)	(570,973)
Arts Reserve	(39,865)	22,365	(17,500)
Dual Use Operational Reserve	(62,779)	11,554	(51,225)
Planning Reserve	(246,793)	46,086	(200,707)
Community Safety & Grants Reserve	(35,963)	(2,600)	(38,563)
Travellers Reserve	(443,384)	(342,876)	(786,260)
Other	(205,869)	15,131	(190,738)
	<u>(4,647,836)</u>	<u>342,837</u>	<u>(4,304,999)</u>
Total - Capital	(3,081,465)	635,565	(2,445,900)
Revenue	(1,566,371)	(292,728)	(1,859,099)
	<u>(4,647,836)</u>	<u>342,837</u>	<u>(4,304,999)</u>

23. 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 2005/06		General Fund	Housing Revenue Account	Total 2006/07
£		£	£	£
(440,969,033)	Revaluation as at 1 April 2001 of fixed assets less prior year disposals	(2,083,119)	(312,217,276)	(314,300,395)
122,374,724	Revaluation as at 1 April of fixed assets	0	(26,363,611)	(26,363,611)
0	Impairment of fixed assets	901,842	0	901,842
4,293,914	Disposal of fixed assets	21,455	9,604,605	9,626,060
<u>(314,300,395)</u>		<u>(1,159,822)</u>	<u>(328,976,282)</u>	<u>(330,136,104)</u>

24. 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 2005/06		General Fund	Housing Revenue Account	Total 2006/07
£		£	£	£
(100,682,722)	Balance at beginning of year			(107,302,963)
	Add capital expenditure financed from;			
	capital receipts			
(8,598,662)	usable	(1,503,927)	(7,112,971)	(8,616,898)
(349,086)	revenue	(507,812)	0	(507,812)
(408,294)	grants and reserves	(128,315)	(404,963)	(533,278)
0	Government grants deferred amortisation	(201,855)	0	(201,855)
(3,200,076)	Major Repairs Allowance	0	(3,211,297)	(3,211,297)
	Add/less set aside from;			
4,342,163	Less depreciation	1,319,506	3,211,297	4,530,803
1,593,714	Less deferred charges written out	1,802,738	0	1,802,738
<u>(107,302,963)</u>				<u>(114,040,562)</u>

25. Usable Capital Receipts Reserve

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

Total 2005/06		General Fund	Housing Revenue Account	Total 2006/07
£		£	£	£
(25,754,711)	Balance at beginning of year	1,025,529	(21,164,252)	(20,138,723)
	Add			
(4,594,105)	Capital receipts received during year from sale of assets	(26,675)	(6,732,673)	(6,759,348)
	Less			
8,598,662	Capital receipts applied during year	1,503,927	7,112,971	8,616,898
224,423	Capital receipts transferred to/from reserves	(43,333)	0	(43,333)
1,387,008	Capital receipt payments to DCLG	0	2,759,456	2,759,456
<u>(20,138,723)</u>		<u>2,459,448</u>	<u>(18,024,498)</u>	<u>(15,565,050)</u>

26. Analysis of net assets employed

31 March 2006		31 March 2007
£		£
(11,128,585)	General Fund	(9,210,501)
(335,696,559)	Housing Revenue Account	(350,201,028)
<u>(25,206)</u>	Direct Service Organisation	<u>(23,706)</u>
(346,850,350)		(359,435,235)
(107,302,963)	Capital Financing Account	(114,040,562)
22,328,000	Pensions Reserve	19,421,000
<u>(431,825,313)</u>		<u>(454,054,797)</u>

27. Post Balance Sheet Events

There are no known Post Balance Sheet events relating to the 2006/07 accounts.

28. Provisions

Provisions included in the balance sheet consist of provisions for bad and doubtful debts which have been netted off debtors.

The prior year provision of £630,822 was utilised in 2006/07 on internal restructuring of senior management team and the sheltered housing service.

29. 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. the Council is currently undertaking an equal pay audit which may result in claims for backpay plus interest and legal costs together with additional pension and redundancy costs and possibly additional future payroll costs. Any potential liability cannot be quantified at this time.

30. 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 2006/07 was determined by the administering authority's actuary based on the full actuarial valuation as at 31 March 2004 but not implemented until 1 April 2005.

In order to comply with the Financial Reporting Standard 17 (FRS17), Retirement Benefits, the latest actuarial valuation as at 31 March 2004 has been rolled forward in order to report on the position as at 31 March 2007. The information in the actuarial valuation as at 31 March for the purposes of FRS17 is:

2005/06		2006/07
3.1%	Rate of inflation	3.2%
4.6%	Rate of increase in salaries	4.7%
3.1%	Rate of increase in pensions	3.2%
0.0%	Employees opting to take an additional lump sum	25.0%
4.9%	Rate for discounting scheme liabilities	5.4%

Expected rate of return on assets		
7.4%	Equities	7.8%
4.6%	Bonds	4.9%
5.5%	Property	5.9%
4.6%	Cash	4.9%

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 (commutation) in their future annual pension. On the basis of commutation

experience with local authorities the Actuary has allowed for 25% of future retirements to elect for additional lump sums and has treated this as part of the actuarial gain.

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:

31 March 2006			31 March 2007	
Estimated attributable assets/liabilities	Asset distribution		Estimated attributable assets/liabilities	Asset distribution
£,000	%		£,000	%
37,326	75.3%	Equities	39,941	75.0%
6,284	12.7%	Bonds	6,064	11.0%
4,600	9.3%	Property	6,670	12.0%
<u>1,356</u>	<u>2.7%</u>	Cash	<u>1,120</u>	<u>2.0%</u>
49,566	100.0%	Estimated attributable assets	53,795	100.0%
		Estimated present value of scheme liabilities	<u>(71,458)</u>	
<u>(70,440)</u>		Deficit on funded scheme as determined by the actuary	(17,663)	
(20,874)		Deficit on unfunded discretionary benefits	<u>(1,758)</u>	
<u>(1,454)</u>		Net pensions liability	<u>(19,421)</u>	
<u>(22,328)</u>				

31. 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 FRS 17.

The movement in the Pensions Reserve is:

	Year to 31 March 2003		Year to 31 March 2004		Year to 31 March 2005		Year to 31 March 2006		Year to 31 March 2007	
	£'000	%	£'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	513	1.0
Differences between actuarial assumptions and actual experience on liabilities	210	0.5	(10)	0.0	(3,667)	(6.1)	(3)	0.0	89	0.1
Changes in demographic and financial assumptions underlying the present value of the scheme liabilities	0		0		(10,729)	18.0	(8,048)	(11.2)	4,138	5.7
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%	<u>4,740</u>	6.5%
Net appropriation to Income and Expenditure Account from pension reserve / liability	(346)		(1,361)		(520)		(1,258)		(1,833)	
Appropriation to Income and Expenditure Account in respect of pension liabilities	0		236		0		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>		<u>2,907</u>	

Notes to the Cash Flow Statement

32. Reconciliation of deficit on Income and Expenditure Account to net cash flow from revenue activities.

2005/06		2006/07	2006/07
£		£	£
5,348,825	Deficit on Income and Expenditure Account	8,090,371	
<u>(4,875,778)</u>	Note 3 Statutory/non-statutory adjustments	<u>(8,457,581)</u>	
473,047	Deficit/(Surplus) on General Fund		(367,210)
156,326	Deficit/(Surplus) on Housing Revenue Account	(885,218)	
(188,749)	Deficit/(Surplus) on Collection Fund	(413,259)	
654,038	Payment to Capital Receipts Pool	<u>2,501,652</u>	
			1,203,175
	Add non cash transactions		
(340,498)	Direct Revenue Financing of Capital Expenditure	(507,813)	
(3,200,076)	Major Repairs Allowance	(3,211,297)	
(112,416)	Contribution from/(to) Reserves	(88,050)	
	Less non cash transactions		
145,113	Movement in Bad Debt Provision	27,885	
423,604	Amortisation of Deferred Grants and Contributions	<u>0</u>	
			<u>(3,779,275)</u>
			(2,943,310)
	Changes in working capital		
(28,125)	Stock	(6,583)	
3,467,257	Debtors	(4,356,981)	
650,380	Revenue Creditors	<u>(2,551,753)</u>	
			(6,915,317)
<u>2,081,573</u>	Servicing of Financing from Cash Flow Statement		<u>1,674,358</u>
<u>4,181,474</u>	Revenue Activities Net Cash Flow		<u>(8,184,269)</u>

33. Reconciliation of balance sheet to liquid resources

	Balance Sheet 31 March 2006	Balance Sheet 31 March 2007	Movement in Liquid Resources 2006/07
Investments	(27,450,110)	(31,270,110)	(3,820,000)
Less time deposits	27,450,110	31,270,110	3,820,000
Investments repayable on demand	0	0	0
Net cash overdrawn	488,293	161,226	(327,067)
Movement	488,293	161,226	327,067

34. Reconciliation of movement in cash to net debt

2005/06		2006/07
£		£
(281,490)	Increase in Cash	(327,067)
<u>(281,490)</u>	Decrease in net debt from cash flow	<u>(327,067)</u>
(769,783)	Net debt at 1 April	(488,293)
<u>(488,293)</u>	Net debt at 31 March	<u>(161,226)</u>

35. 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.

36. Analysis of other Government grants

2005/06		2006/07
£		£
	Revenue	
(559,475)	Housing Benefit Administration and Fraud	(591,017)
(200,232)	NNDR Cost of Collection Allowance	(207,757)
0	Building Safer Communities	(121,831)
0	Corporate Management- Building Capacity East	(46,120)
(380,932)	Planning Delivery Grant	(266,937)
0	Elections	(40,251)
0	Environmental Health	(12,389)
(110,628)	Supporting People	(108,651)
(20,000)	Homelessness	(40,700)
(13,947)	Improvement Grant	(1,512)
(41,407)	Refuse / Recycling	(114,891)
(48,124)	Community Safety	(56,700)
(72,200)	Verification Framework	0
<u>(1,446,945)</u>		<u>(1,608,756)</u>
	Capital	
(345,372)	Renovation Grants - net of repayments	(255,437)
(183,927)	IEG	0
(33,000)	Broadband	0
(47,478)	Insulation	(48,745)
(126,976)	Planning Delivery Grant	(88,979)
<u>0</u>	Housing Capital	<u>(356,218)</u>
<u>(736,753)</u>		<u>(749,379)</u>

Supplementary Statements

- **Housing Revenue Income and Expenditure Account**
- **Collection Fund**

Housing Revenue Income and Expenditure Account

2005/06 £	INCOME	2006/07 £
(17,948,515)	Dwelling Rents(Gross)	(18,638,469)
(339,348)	Non-dwelling Rents(Gross)	(326,264)
(1,551,141)	Charges for Services and Facilities	(1,458,025)
		<u>(20,422,758)</u>
	Contributions towards expenditure	
(401,370)	General Fund	(347,169)
(18,500)	Other sources	(42,080)
		<u>(389,249)</u>
0	Transfer of DLO surplus	(10,241)
(34,470)	Housing Benefit Transfers from General Fund	0
<u>(20,293,344)</u>	Total Income	<u>(20,822,248)</u>
	EXPENDITURE	
2,821,676	Repairs and Maintenance	2,827,397
	Supervision and Management	
1,160,152	General	1,286,919
797,357	Repairs and Maintenance	681,328
3,246,292	Special Services	2,609,666
130,697	Rent, Rates and Other Charges	137,179
8,659,911	Payment to Government in to National Pool	9,199,413
138,265	Transfer of DLO Deficit	12,684
3,200,076	Depreciation and impairment of Fixed Assets	3,211,297
23,855	Treasury Management Costs	21,558
87,988	Increased/(Decreased) Provision for Bad or Doubtful Debt	(25,448)
<u>20,266,269</u>	Total Expenditure	<u>19,961,993</u>
(27,075)	Net Cost of Services as included in the whole authority Income and Expenditure Account	(860,255)
	HRA services share of Corporate and Democratic Core	
474,548		327,475
<u>447,473</u>	Net Cost of HRA Services	<u>(532,780)</u>
0	Gain or loss on sale of HRA assets	2,568,718
	Interest and investment income	
(9,812)	Mortgage Interest	(7,601)
(77,115)	Interest on Cash Balances	(103,281)
		<u>(110,882)</u>
	Pensions Interest Cost and Expected Return on Pension Assets	20,966
91,717		<u>20,966</u>
<u>452,263</u>	Deficit for the year on HRA services	<u>1,946,022</u>

Statement of Movement on the Housing Revenue Income and Expenditure Account

2005/06 £	2006/07 £
452,263(Surplus)/deficit for the year on the HRA Income and Expenditure Account	1,946,022
0Loss on sale of HRA fixed assets	(2,568,718)
<u>(295,937)</u> HRA share of contributions to or from the Pensions Reserve	<u>(262,522)</u>
156,326Decrease/(increase) in Housing Revenue Account balance for the year	(885,218)
(2,056,122)Housing Revenue Account balance brought forward	(1,899,796)
<u>(1,899,796)</u> Housing Revenue Account balance carried forward	<u>(2,785,014)</u>

The Collection Fund

2005/06			2006/07
£	INCOME		£
(60,310,723)	Income from Council Tax Transfers from General Fund		(64,277,472)
(4,075,511)	Council Tax Benefits		(4,361,140)
(45,931,027)	Income collectable from Business Ratepayers Contribution towards previous year's estimated Collection Fund Deficit		(50,191,850)
(238,661)	Cambridgeshire County Council	(500,190)	
(37,954)	Cambridgeshire Police Authority	(80,154)	
(13,497)	Cambridgeshire Fire Authority	(28,528)	
(33,916)	District Council	<u>(82,150)</u>	
			<u>(691,022)</u>
<u>(110,641,289)</u>			<u>(119,521,484)</u>
EXPENDITURE			
Demands and Precepts			
Precepts			
46,584,382	Cambridgeshire County Council	49,693,866	
7,465,001	Cambridgeshire Police Authority	7,961,695	
2,656,866	Cambridgeshire Fire Authority	<u>2,819,917</u>	
			60,475,478
Demands - District Council			
5,117,990	General Expenses	5,454,400	
2,532,667	Special Expenses - Parish Precepts	<u>2,823,929</u>	
			<u>8,278,329</u>
<u>64,356,906</u>			<u>68,753,807</u>
Business Rate			
45,730,795	Payment to National Pool	49,984,093	
<u>200,232</u>	Cost of Collection	<u>207,757</u>	
			50,191,850
Bad and Doubtful Debts			
107,482	Write Offs	134,683	
57,125	Provision for Bad and Doubtful Debts	<u>27,885</u>	
			<u>162,568</u>
<u>110,452,540</u>			<u>119,108,225</u>
(188,749)	(Deficit/(Surplus) of income over expenditure		(413,259)
<u>503,855</u>	Fund Balance at Beginning of year		<u>315,106</u>
<u>315,106</u>	Fund Balance at end of year		<u>(98,153)</u>

Notes to Supplementary Statements

- **Notes to the Housing Revenue Income and Expenditure Account**

- **Notes to the Collection Fund**

Notes to the Housing Revenue Account (HRA)

37. Housing stock

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

	As at 31 March 2006	Conversions during the year	Additions during the year	Disposals during the year	As at 31 March 2007
1 Bedroom	1,179	0	12	(35)	1,156
2 Bedrooms	2,465	2	14	(29)	2,452
3 Bedrooms	2,104	(3)	1	(64)	2,038
4 or more Bedrooms	72	1	0	0	73
	<u>5,820</u>	<u>0</u>	<u>27</u>	<u>(128)</u>	<u>5,719</u>

Disposals

Right to Buy
Equity Share
Other

23

30

75

128

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

	Balance at 31 March 2006	Revaluation/ Review at 1 April 2006	Additions during year	Disposals during year	Depreciation for year	Balance at 31 March 2007
Operational assets						
Council dwellings	398,778,933	26,137,586	10,242,276	(9,605,605)	(3,211,297)	422,341,893
Garages	2,628,000	182,565	0	0	0	2,810,565
Sub total	<u>401,406,933</u>	<u>26,320,151</u>	<u>10,242,276</u>	<u>(9,605,605)</u>	<u>(3,211,297)</u>	<u>425,152,458</u>
Non operational assets						
Land and buildings	2,156,529	44,460	0	0	0	2,200,989
	<u>403,563,462</u>	<u>26,364,611</u>	<u>10,242,276</u>	<u>(9,605,605)</u>	<u>(3,211,297)</u>	<u>427,353,447</u>

Vacant possession value of dwellings: £921,499,028

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 adjustment factor for the eastern region is 46%.

2005/06		2006/07
£		£
860,729,096	vacant possession value as at 1 April	921,499,028
	ratio of local authority rents to private rents to take account	
46%	of secure tenancies at less than open market rents	46%
<u>395,935,384</u>		<u>423,889,553</u>
100,000	property leased at market rent	100,000
<u>396,035,384</u>		<u>423,989,553</u>
517,785,294	opening balance	398,778,933
(121,749,910)	revaluation	25,210,620
<u>396,035,384</u>	Revalued opening balance as at 1 April	<u>423,989,553</u>

The Housing Futures project to be considered by the Council includes 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.

38. Capital expenditure, financing and receipts

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

	£		£
Expenditure		Financing	
New Build	46,778	Capital receipts	6,626,016
Acquisition of existing dwellings	3,132,661	Major Repairs Allowance	3,211,297
Improvement of housing stock	<u>7,062,837</u>	Grant	<u>404,963</u>
	<u>10,242,276</u>		<u>10,242,276</u>

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

2005/06		2006/07
£		£
115,358	Sale of Land	48,460
	Sale of dwellings	
2,487,972	Right to buy	2,751,084
1,990,387	Other	3,933,129
<u>4,593,717</u>		<u>6,732,673</u>

39. 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:

2005/06		2006/07
£		£
3,200,076	Operational assets	3,211,297
0	Non operational	0
<u>3,200,076</u>		<u>3,211,297</u>

40. Impairment

No impairment charge was incurred for the financial year 2006/07, or in 2005/06 in respect of land, dwellings and other property within the Housing Revenue Account.

41. 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 1 April 2006	0
Transfer of depreciation provision	(3,211,297)
Capital expenditure	<u>3,211,297</u>
Balance on 31 March 2007	<u>0</u>

42. Housing subsidy

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

2005/06		2006/07
£		£
1,822,883	Allowance for management	1,958,865
4,563,646	Allowance for maintenance	4,844,442
3,200,076	Allowance for major repairs	3,211,297
<u>8,036</u>	Other items	<u>8,250</u>
9,594,641		10,022,854
(18,259,858)	Rent	(19,201,891)
(37,468)	Interest on receipts	(20,376)
<u>(8,702,685)</u>	Payable to the Government	<u>(9,199,413)</u>
42,774	Rebate Adjustment for 2004/05	0
<u>(8,659,911)</u>	Payable to the Government	<u>(9,199,413)</u>

43. HRA share of contributions to or from the Pensions Reserve

This contribution, shown in the Statement of Movement on the Housing Revenue Income and Expenditure Account, 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.

44. Rent arrears on dwellings

As at 31 March 2006		As at 31 March 2007
£624,879	Arrears	£549,327
3.24%	Arrears as a percentage of gross rents collectable	3.12%
£456,430	Provision for uncollectable amounts	£425,000

Notes to the Collection Fund Account

45. General

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

46. 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	5.90	5/9	3.3
A	Upto £40,000	1,763.90	6/9	1,175.9
B	£40,001 - £52,000	5,027.60	7/9	3,910.4
C	£52,001 - £68,000	15,829.70	8/9	14,070.8
D	£68,001 - £88,000	10,104.60	9/9	10,104.6
E	£88,001 - £120,000	9,315.60	11/9	11,385.7
F	£120,001 - £160,000	6,301.30	13/9	9,101.9
G	£160,001 - £320,000	3,528.20	15/9	5,880.3
H	More than £320,000	301.20	18/9	602.4
		<u>52,178.00</u>		<u>56,235.3</u>
Assumed rate of collection			99.5%	
Tax base for tax setting purposes (number of Band D equivalent dwellings)				55,954.1
Tax rate for a Band D property				<u>£1,228.76</u>
Estimated income due				£68,754,134
Actual income due				
Net of write offs and provisions			£64,114,903	
Council Tax Benefit net of subsidy limitation			<u>£4,361,140</u>	
				<u>£68,476,043</u>
Difference in income due to variations in tax base and rate of collection				<u><u>(£278,091)</u></u>

47. 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 2007 was £147,172,771 and the standard uniform rate was 43.3 pence in the £, and the small business uniform rate 42.6 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 pro rata to Formula Grant.

48. Collection Fund surplus

The surplus relating to Council Tax transactions of £98,153 on the Collection Fund as at 31 March 2007 will be collected in subsequent financial years from the major precepting authorities and the District Council in proportion to their respective precepts and demand.

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.

Capital Charges

A depreciation charges made to service revenue accounts based on the value of the assets they use.

Capital Expenditure

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

Capital Receipt

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

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 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.

Deferred Charges

Capital expenditure for which there is no tangible asset, for example renovation grants.

Depreciation

The estimated losses in value of an asset due to age, deterioration or obsolescence.

Glossary of Financial Terms and Abbreviations (continued)

Finance Lease

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

Fixed Asset

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

Government Grant

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

Impairment

An asset is impaired when the amount at which an asset is recognised in the Balance Sheet is higher than the asset value.

Operating Lease

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

Precepting Authorities

Those authorities which are not billing authorities, for example County Councils, Fire, Police, Parish and Town councils.

Precepts

The levy made by precepting authorities on billing authorities, for example District Councils, requiring the billing authority to collect income from council tax payers on their 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 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 employee's pay, premises costs and supplies and services.

Revenue Support Grant

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

Abbreviations used in the accounts

CIPFA

Chartered Institute of Public Finance and Accountancy

CPA

Comprehensive Performance Assessment

DLO

Direct Labour Organisation

DSO

Direct Service Organisation

GAAP

Generally Accepted Accounting Practice

FRS

Financial reporting Standard

HRA

Housing Revenue Account

MRA

Major Repair Allowance

NNDR

National Non-Domestic Rates (Business Rates)

SORP

Statement of Recommended Practice