

**EAST CAMBRIDGESHIRE DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2007/2008**



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FOREWORD TO THE ACCOUNTS

The statements of accounts which follow show the financial out-turn for the year ended 31 March 2008. The accounting statements have been prepared in accordance with the current Code of Practice on Local authority Accounting in Great Britain. This Statement of Recommended Practice ("SORP") takes account of the relevant legislation and constitutes a proper accounting practice under the terms of the Local Government Act 2003.

The pages which follow include

- ◆ **The Income & Expenditure Account**
The Income & Expenditure Account shows, in summarised form, the General Fund income and expenditure relating to the ongoing provision of public services by the Council.

- ◆ **The Statement of Movement on the General Fund Balance**
The Statement of Movement on the General Fund Balance summarises the differences between outturn on the Income & Expenditure Account and the General Fund Balance.

- ◆ **The Statement of Total Recognised Gains and Losses**
The Statement of Total Recognised Gains and Losses brings together all the gains and losses and shows the aggregate change in net worth. It includes changes relating to revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

- ◆ **The Balance Sheet**
The Balance Sheet shows the overall financial position of the Council at the year end, including the balance of the Collection Fund.

- ◆ **The Cash Flow Statement**
This statement is intended to be an aid to the better understanding of the accounts by showing a summary of the inflows and outflows of cash arising from transactions with outside parties for both revenue and capital purposes.

- ◆ **The Collection Fund Accounts**
These accounts show the amounts due from Council Taxpayers and from National Non-Domestic Ratepayers, the demands of the national non-domestic rating pool, the County Council, the Cambridgeshire Police Authority, Cambridgeshire Fire and Rescue and East Cambridgeshire District Council on the Fund, and related matters. Parish Councils' precepts are a charge to the General Fund.

- ◆ **The Group Accounts**
These consolidate the Council's Accounts with those of its subsidiary to give a more complete picture of the authority's control over other entities.

EURO As the Council updates its financial systems it has ensured that they can provide the functionality required to handle a conversion to the new currency in due course. Beyond this, and in view of the stage of the current debate on the issue, the Council has not identified any specific requirements or made any financial provisions in this regard.

Changes in Accounting policies included in these accounts include the introduction of a Revaluation Reserve from 1 April 2007 with a zero balance. This will contain gains since its creation. Previous gains have been consolidated into the new Capital Adjustment Account.

There are new requirements for accounting for Financial Instruments. See Accounting Policies for more detail.

There is a new requirement that interest accrued at 31 March 2008 on Financial Instruments is included in their value as shown on the Balance sheet instead of within the debtors and creditors figures. No comparative adjustment has been made to the 2006/07 Balance Sheet in line with SORP requirements.

During the year, the Council borrowed £1m short term repayable on 1 April 2008 and £1m long term repayable in 2057.

FOREWORD TO THE ACCOUNTS

General Fund Services

The net revenue expenditure of the Council for 2007/2008 excluding parish council precepts was originally estimated at £9,811,225. The revised budget was also £9,728,000. This compares to the actual net expenditure for the year of £9,797,409, an overspend compared to the budget of £69,409.

This overspend is attributed to the following:

	£'000	
External Audit Grant Claims	(14)	
Discretionary Rate relief	(21)	
Court costs	123	
Concessionary fares	68	
Econ Dev Admin	34	
EBC North	14	
Housing/Council Tax Benefits	141	
Health improvement	11	
Homelessness	14	
Interest & Financial Transactions	104	
Land Charges Admin	(28)	
Community Projects & Grants	17	
Member & Committee Support	19	
Misc.Financial Services	28	
Office services fuel costs	(20)	
Oliver Cromwell House	(11)	
Planning Appeals	(10)	
Parks And Open Spaces	(30)	
Parking of Vehicles	15	
Refuse/Recycling	(116)	
CRM	83	
Bulky Waste Collection	(15)	
Minimum Revenue Provision	(20)	
Other	12	
Total underspend	398	
Additional contribution to fund the Asset Management Programme	(467)	See note
Net overspend	-69	

note

The Asset Management programme was always envisaged to have high expenditure in the early years and balance over the period of the programme. The additional contribution will assist in smoothing the profile.

Sources of Income

	£'000
Government Grants	23,039
Other Grants/Reimbursements	855
Sales, Fees & Charges	1,888
Local Taxpayers	4,579
Other Income	1,668
Total Income	32,029

Reserves

Total usable reserves on General fund stood at £1,579,947 at 1 April 2007 and it was anticipated at probable out-turn stage that these would increase to £1,695,672 at 31 March 2008, an increase of £115,725. However, following the overspend referred to earlier, actual usable reserves as at 31 March 2008 now stand at £1,626,263. This is an increase of £46,316 in the year.

Capital Expenditure

Capital spending amounted to £2,313,544 which was an underspend of £750,456 on the programme of £3,064,000.

The capital programme was financed from Government Grants £275,528, General Fund £879,707, and Useable capital receipts £1,158,309

Pensions Liabilities

Pension Liabilities are valued on an actuarial basis using the projected unit method which assesses the future payments that will be made in relation to retirement benefits earned to date by employees discounted to their present value.

The Liability of £5,622,000 is included in the Balance Sheet.

Responsibilities for the Statement of Accounts:

The Council's Responsibilities -

The Council is required:

- ◆ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At East Cambridgeshire District Council that officer is the Executive Director (Finance).
- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ to approve the statement of accounts.

The Executive Director (Finance)'s Responsibilities -

The Executive Director (Finance) is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31 March 2008).

In preparing this statement of accounts, the Executive Director (Finance) has:

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

The Executive Director (Finance) 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 Council at the accounting date and its income and expenditure for the year ended 31 March 2008.

Alex Colyer

Executive Director (Finance)

25th September 2008

STATEMENT OF ACCOUNTING POLICIES

General	<p>The form and general principles adopted in compiling the accounts are substantially as recommended by the Chartered Institute of Public Finance and Accountancy. Except where otherwise noted, they follow the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.</p>
Reserves and Provisions	<p>The Council maintains reserves to meet unforeseen future expenditure and has set aside provisions for specific future liabilities which are likely or certain to be incurred, but which cannot yet be accurately quantified. Details of reserves and provisions are shown in the notes to the Core Accounts See Note 38</p>
Revaluation Reserve	<p>The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.</p>
Basis of Capitalisation	<p>Capital transactions are included in the accounts on an accruals basis. As explained in the notes to the Balance Sheet fixed assets are generally included at current valuation.</p>
Valuation of Fixed Assets	<p>The basis of valuation adopted in respect of the Council's operational property is open market value for the existing use, except where this could not be assessed because there is no market for the subject asset. For these assets depreciated replacement cost has been applied. The valuer has assumed that the properties will continue to be in the occupation of the Council for the foreseeable future having regard to the prospect and viability of that occupation. The figures have been apportioned between land and buildings and an estimate made of the remaining life of the latter. Items of plant and machinery which would normally be considered integral with the building fabric have been reflected in the valuations. Vehicles and equipment are held at historic cost. A deminimus of £5,000 is set for assets apart from IT equipment which has no deminimus. Property assets regarded by the Council as non-operational have been valued on the basis of open market value.</p>
Depreciation	<p>Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.</p> <p>Depreciation is calculated on the following bases:</p> <ul style="list-style-type: none">◆ dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer◆ vehicles, plant and equipment – a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer◆ infrastructure – straight-line allocation over 100 years. <p>Where an asset has major components with different estimated useful lives, these are depreciated separately.</p> <p>Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost (or 1 April 2007 value if earlier) being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.</p>
Intangible Assets	<p>These are mainly for IT Licences and are valued at cost less the amount written off to date based on depreciation on a straight line method over the estimated life of the asset.</p>
Asset Categories	<p>Assets have been categorised in accordance with the definitions in the SORP.</p>
FRS15	<p>In accordance with FRS15, the authority's building stock is depreciated over the life of the individual asset .</p>

STATEMENT OF ACCOUNTING POLICIES continued

Sales of Fixed Assets

The law requires that receipts arising from the sale of fixed assets, the principal repaid on certain loans, and receipts of Housing Association Grant (HAG) are divided into reserved and usable parts. The reserved part is set aside in a Capital Adjustment Account. On disposal of a Fixed Asset any revaluation gains in the Revaluation Reserve relating to that asset are transferred to the Capital Adjustment Account.

East Cambridgeshire District Council

- ◆ is permitted to use both the usable part, and subject to restrictions, the reserved part of most capital receipts to finance that part of its capital programme not from other sources;
- ◆ for most receipts arising from the sale of fixed assets the reserved proportion is nil; and

Impairment

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed regularly each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- ◆ where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- ◆ otherwise – written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve with any excess charged to the relevant service revenue account

Deferred Charges

Deferred Charges are payments of a capital nature where no fixed asset is created within the Authority's balance sheet but which may provide benefit to the Authority over a number of years. All deferred charges expenditure is written out to revenue as it is incurred.

Grant Income

Revenue grants are credited (on a calculated actual or estimated basis) to a revenue account in the year for which they are due. Capital grants relating to deferred charges (mainly house renovation grants) are applied in the year in which they are received to fund appropriate capital expenditure.

Interest and Capital Charges

External interest receivable is credited to the General Fund and included in the Income and Expenditure Account. Capital charges are made to each service on the basis of the values of the assets held or used. These charges are for depreciation of the assets. These charges are reversed out in the Statement of Movement on the General Fund Balance.

Debtors and Creditors

The provisions for debtors and creditors have been made so far as practicable on the basis of known liabilities, and no material items have been estimated. The provisions made for bad debts take into account the nature, value and age of general debts. For Council Tax and Business Rates the provision increases with the age of the debt.

Leasing

The Council operates a car leasing scheme for the benefit of certain employees. The Council has no operating leases and no finance leases.

Pensions

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme operated by Cambridgeshire County Council for those employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. These costs have been determined on the basis of contribution rates set in the 2007 actuarial valuation of the pension fund. However due to the fall in investment values over time this is not sufficient to meet 100% of its liabilities. This means that it does not comply with the accounting requirements of SSAP24 and a contribution rate is being estimated by the actuary that would be required to comply.

Further information may be found in the Cambridgeshire County Council's Pension Fund Annual Report, available from the Director of Resources, Shire Hall, Castle Hill, Cambridge, CB3 0AP

STATEMENT OF ACCOUNTING POLICIES continued

FRS 17	<p>The policy is to use the real cost of pensions instead of the actual cost in the year and reflects the commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.</p> <p>The overall amount to be met from Government grants and local taxation is unaffected.</p> <p>In assessing liabilities for retirement benefits at 31 March 2008 for the 2007/08 Statement of Accounts, the actuary was required by the SORP to use a discount rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities. The actuary has advised that a rate of 6.9% is appropriate.</p>
Related Companies	<p>East Cambridgeshire District Council now owns all the shares in East Cambridgeshire Business Centres Limited, giving it full ownership. All the shares are now fully paid up.</p> <p>The investment is held at cost price in the Balance Sheet.</p> <p>Statutory investments are included in the Group Accounts on the basis of the percentage of the company owned by the Council. Details of the statutory investment can be found in note 25 to the core accounts. Group Accounts have been prepared as per the SORP requirements.</p>
Investments	<p>External investments are included in the accounts at historical cost.</p>
BVACOP	<p>The Council is required as part of the Local Authorities Statement of Recommended Practice (SORP 2007) to produce financial statements in accordance with the Best Value Accounting Code of practice (BVACOP). This requires service expenditure analysis shown on the face of the Income & Expenditure Account to reflect the BVACOP categories.</p>
Support Service Costs	<p>Support service costs are allocated on the basis recommended by the best Value Accounting Code of Practice (BVACOP). Each support service has been treated in the accounts as separate entities, and it is intended that they should break even taking one year with another, by adjustment of subsequent years' charges. The net year-end surplus on support services forms part of the General Fund Reserve balance.</p>
Stock & Work in Progress	<p>The value of stock held is included within the Balance Sheet at the lower of cost or net realisable value in accordance with SAAP 9.</p>
Prudential Code	<p>The accounts have been produced to follow the new requirements of the Prudential Code for Capital finance in Local Authorities.</p>
MRP	<p>Minimum Revenue Provision for the repayment of debt is being provided for on a reasonable basis. The Council now has long term debt and provision is being made over the life of the debt to allow it to be repaid at the end of the loan.</p>
Financial Instruments	<p>A financial asset or liability is recognised on the balance sheet when the Council becomes party to the contractual provisions of the instrument. This will often be the date that the contract is entered into but may be later if there are conditions that need to be satisfied.</p> <p><u>Financial Liabilities</u></p> <p>These are initially measured at fair value and carried at amortised cost. Annual charges to the Income & Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings of the Council this means that the amount presented on the Balance Sheet is the outstanding principal and interest charged to the Income & Expenditure Account is the amount payable for the year in the loan agreement.</p> <p><u>Financial Assets</u></p> <p>Financial assets are classified into two types:</p> <ul style="list-style-type: none">◆ loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market◆ available-for-sale assets - assets that have quoted market price and/or do not have determinable payments <p><u>Loans and receivables</u></p> <p>Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income & Expenditure Account is the amount receivable for the year in the loan agreement.</p>

STATEMENT OF ACCOUNTING POLICIES continued

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

The adjustments required to the soft loans are immaterial, thus they have not be made and the loans are recorded at face value in the Balance Sheet.

Where assets are as identified impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income & Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income & Expenditure Account.

Available for sale

Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- ◆ instruments with quoted market prices - the market price
- ◆ other instruments with fixed and determinable payments - discounted cash flow analysis
- ◆ equity shares with no quoted market prices - independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available for sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred - these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written-down and a charge made to the I & E Account.

Any gains or losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Accruals of Income & Expenditure

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

- ◆ Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- ◆ Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- ◆ Works are charged as expenditure when they are completed, before which they are as works in progress on the Balance Sheet.
- ◆ Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- ◆ Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- ◆ Employee costs are included in the year that they are earned.

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

East 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, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.eastcambs.gov.uk. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 governance framework has been in place at the Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

Identifying and Communicating the Vision and Outcomes

The Council set out its vision in 2003 by agreeing corporate objectives. These have been revised during the financial year and now form part of the Corporate Plan covering the period 2008 - 2011. The Plan includes key corporate indicators that reflect the priorities of the Council and are also relevant to the Local Area Agreement and the Sustainable Community Strategy. Three year rolling service plans, linked to corporate objectives are a key to setting service priorities and are linked to the Medium Term Financial Strategy which is agreed by Policy & Resources Committee each year. The Council publishes an annual Statement of Accounts on a timely basis each year to communicate the Council's financial position and performance.

Reviewing the Vision and its Implications for Governance

The Corporate Plan will be reviewed on a periodic basis. Individual service plans will be reviewed each year to ensure they remain on track and the outcomes for each year have been achieved and that they accord with the Medium Term Financial Strategy.

Measuring Quality and Best Use of Resources

Performance is measured against both National Indicators and Key Performance Indicators in the Council's Performance Plan. During the financial year the Council has rolled out its Electronic Performance System across all departments, which should further enhance performance monitoring/management.

The Council has embarked on an internal programme of reviews of its services, where service delivery will be challenged to national best practice and performance.

Role and Responsibilities - Committee and Officer Functions

The respective roles of the Council Leader and Chairman are included in the Council's Constitution. There is also a scheme of officer delegation within the Constitution which is monitored and updated to take account of any changes in legislation. There are clear terms and conditions for remuneration of Members and officers and an effective structure for managing the process.

Effective management arrangements have been put in place at a senior level. The Chief Executive as the Head of Paid Service is responsible and accountable to the Council for all aspects of operational management. The Executive Director (Finance) as the statutory "Section 151" Officer is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control. The Monitoring Officer / Head of Legal Services is responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with.

Information about the work of the Council is available to the public via the Council's website, including the right to attend meetings, to speak and ask questions.

Codes of Conduct for Members and Staff

The Member Code of Conduct is included in the Council's Constitution. Members received a programme of training following the District Council elections in May 2007. An effective Standards Committee acts as the main means to raise awareness and leads in ensuring that high standards of conduct are firmly embedded within the local culture.

The Officer Code of Conduct is also included in the Council's Constitution, and is a part of the information supplied to new employees and included in the staff induction process.

Standing Orders, Financial Regulations and the Management of Risk

The Council's Constitution incorporates its Financial Regulations governing financial management and Contract Procedure Rules specifying how contracts for works, supplies and services are tendered and controlled. The Constitution, including the Scheme of Delegation is reviewed on a regular basis. The Constitution can only be amended by the full Council and a major revision has recently been completed.

The Council's financial management framework ensures that there is ongoing monitoring of expenditure. Quarterly budget monitoring reports are produced and reported to the respective Committees.

The Council has reviewed its Risk Management Strategy in light of the outcome of the Audit Commission's assessment in 2006 and has continued to make significant progress in this area. A Corporate Risk Register is in place which is reviewed by the Council's Management Team on a quarterly basis and reported to Policy & Resources Committee. Operational risks are included in individual service plans. Training has been provided both to Members and appropriate members of staff.

The Role of the Audit Committee

The Council does not operate a separate Audit Committee, instead the role is included within that of the Policy & Resources Committee. Among its responsibilities are to review the Corporate Risk Register, and approval of the Annual Statement of Accounts and Annual Governance Statement.

Compliance with Legislation

The Council's statutory officers are the Chief Executive, the Section 151 Officer and the Monitoring Officer. They are responsible for ensuring that the Council acts within the law and in accordance with established policy and procedure.

The Section 151 Officer is specifically responsible for the proper discharge of the Council's financial arrangements and must advise elected Members where any proposal is unlawful or where expenditure is likely to exceed resources.

Internal Audit works to an annual plan of reviews, an element of the work being to ensure that there is compliance with Council policies and procedures.

Whistle-blowing and Complaints

The Council has in place a formal complaints procedure, which is centrally co-ordinated by Customer Services.

The Council has a Whistle-blowing Policy which incorporates arrangements for staff to report concerns anonymously. The Council also has an Anti-Fraud and Corruption Policy which specifies the process by which investigations will be handled and reported. This Policy was reviewed and amended in 2007/2008.

Member and Officer Development Needs

A Member Induction and Training Programme was implemented for the May 2007 election. It is also planned during the coming financial year to implement a Member Development Programme which will include a Training Needs Survey. Members are also required to undertake specific training before performing specific duties ie Planning and Licensing. Member seminars are also organised throughout the year to deal with specific issues as they arise.

The development needs of officers are determined through an annual performance appraisal. A key outcome of this process is a Personal Development Plan. Professional training requirements coming out of the appraisal are approved by the Council's Management Team.

Communication and Consultation

Council affairs are widely communicated via the website and the East Cambridgeshire Magazine which is circulated to all households within the District.

There is public access to all Committee meetings except where items for discussion are of a confidential nature. A network of five Neighbourhood Panels has been established during the year which are aimed at involving parish councils and the public in the work and priorities of the Council.

The Council undertakes regular consultation exercises, including small focus groups of customers, large-scale questionnaires, and face-to-face surveys. Individual members of the public can also elect to join a register of consultees to give their views about decisions and services made in the District.

Through the Local Strategic Partnership the Council engages and communicates with a wide range of stakeholders and partners to identify and deliver a set of priorities in the Sustainable Community Strategy. Along with our partner organisations and Central Government the Council is engaged in defining the major issues to be addressed through the Local Area Agreement.

Partnerships and Other Group Working

The Council has identified its key partnerships which it is engaged with. It has however been identified that although progress has been made in this area, further development is necessary, and this is covered in Section 5 (Significant Governance Issues).

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of officers within the Council and the Council's Management Team, who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditor, other review agencies and inspectorates.

The Council

The Council operates in accordance with the Financial Management framework previously mentioned in that it approves :-

- ◆ Service priorities
- ◆ Annual budget and council tax
- ◆ Policies
- ◆ Code of Corporate Governance
- ◆ Scheme of Delegation

Audit Committee

In its role as the Audit Committee, Policy & Resources Committee receives the Annual Internal Audit Report

ANNUAL GOVERNANCE STATEMENT continued

Standards Committee

The Standards Committee is properly constituted in accordance with legislation. It is chaired by a non-elected member and consists of District Councillors and non-elected independent members and parish councillors.

The Standards Committee is responsible for promoting and maintaining high standards of conduct by Councillors and for monitoring compliance with the Member Code of Conduct.

Internal Audit

Internal Audit operates in accordance with the Code of Practice for Internal Audit 2006 issued by the Chartered Institute of Public Finance & Accountancy. The Terms of Reference for Internal Audit is approved annually by Policy & Resources Committee.

Internal audit is responsible for the review of the system of internal control and for providing an opinion on the internal control environment within the annual audit report. The Annual Audit Plan governs each year's activity and at the completion of each audit a report is produced for management with recommendations for improvement. The Head of Internal Audit provided an annual opinion as to the level of assurance that can be applied to the Councils control framework based on the findings from the audit areas reviewed. The opinion for 2007/8 is that the systems of internal control within the areas examined were operating satisfactorily, and there were no fundamental breakdowns of controls resulting in any material discrepancies.

Other Review/Assurance Mechanisms

Audit Commission Annual Audit and Inspection Letter - In April 2008 the Audit Commission presented their Annual Audit and Inspection Letter. The Letter reviewed the outcome of external audit activity during the previous financial year.

Within this letter the Audit Commission reported the Use of Resources Auditor Judgements for 2006/2007. Based on a series of Key Lines of Enquiry, the Council was scored according to the standard of performance achieved. The possible scores ranged from 1 - inadequate, to 4 - performing strongly. Overall the Council was assessed as performing at level 3, which indicates the Council is performing well.

The Letter also identified the following actions needed by the Council:-

- ◆ Strengthen its approach to prioritisation within corporate planning processes
- ◆ Implement revised performance management processes to improve focus on monitoring achievement against objectives and allow it to deliver timely action plans to address poor performance
- ◆ Develop risk management arrangements which will assist the Council in assessing whether it has the capacity and processes to deliver its priorities.

The Council has taken the following actions in response:-

- ◆ Integrated it's Corporate Objectives / Service Planning / Financial Planning processes into one combined process.
- ◆ Implemented an Electronic Performance Management System (Performance) Plus across the Council. This system will give more rapid and comprehensive access to performance information for the Council's managers and elected Members, allowing them to be much clearer about when performance needs to be improved. By having up-to-date information available, the Council can address performance issues before they become problems.
- ◆ Provided risk management training during the year and held discussions with individual Service Plan authors which has led to improved articulation of risks within the Service Plans.

Management Team - The Council's Management Team regularly reviews aspects of strategic performance management including:-

- ◆ Corporate Improvement Programme
- ◆ Capital budget monitoring
- ◆ Risk Management
- ◆ National, key and local performance indicators

We have been advised on the implications of the results of the review of effectiveness of the governance framework and the system of internal control by the Policy & Resources Committee, and plan to address weaknesses and ensure continuous improvement of the system in place.

ANNUAL GOVERNANCE STATEMENT continued

5. SIGNIFICANT GOVERNANCE ISSUES

The Council's Corporate Improvement Plan has addressed areas of weakness identified through CPA and more recent inspections. Management Team monitors the implementation on a regular basis.

The following significant governance issues have been identified during the review of the governance framework:-

Partnership arrangements - This remains an area for improvement. Although much work has been undertaken in this area, the Council needs to put in place a partnership protocol to ensure that roles and responsibilities are clearly defined and understood.

Terms of Reference - the Policy & Resources Committee fulfil the role of the Audit Committee within the Council but this needs to be explicit in the Terms of Reference for the Committee in the Council's Constitution.

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

J Hill
Chief Executive
Date : 23 September 2008

F Brown
Leader of Council
Date : 23 September 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

Opinion on the financial statements

I have audited the Authority and Group accounting statements and relates notes of East Cambridgeshire District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of East 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.

Respective Responsibilities of the Director of Finance and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 :

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statements reflects compliance with 'Delivering Good Governance in Local Government : A Framework' published by CIPFA/ SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/ SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statements covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my 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 Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion :

The Authority and Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL**

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 regularly review the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am 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 me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, East Cambridgeshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 on 6 December 2007. I 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

I certify that I 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.

Debbie Hanson
District Auditor
Audit Commission
Regus House
101 Cambourne Business Park
Cambourne
Cambridge
CB23 6DP

Date: 29 September 2008

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008
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	2007/2008			2006/2007	note
	Expenditure £	Income £	Net £	£	
Income and Expenditure	Central Services to the public	4,975,653	-4,170,355	805,298	783,766
	Cultural & Related	1,742,259	-251,818	1,490,441	1,384,410
	Environmental	5,028,660	-638,670	4,389,990	4,113,852
	Planning & Development	3,329,215	-2,005,002	1,324,213	1,512,724
	Transport	673,355	-73,680	599,675	541,764
	Housing	13,403,938	-12,447,442	956,496	1,127,576
	Corporate & Democratic Core	2,513,969	-914,426	1,599,543	1,700,076
	Non Distributed Costs	54,292	0	54,292	51,000
	NET COST OF SERVICES	31,721,341	-20,501,393	11,219,948	11,215,168
	Parish council precepts			1,224,769	1,135,437
	Loss/(gain) on the disposal of fixed assets			-94,022	-379,609
	Contribution of housing capital receipts to Govt. Pool			17,242	15,836
	Interest payable			30,927	0
	Interest receivable			-816,588	-698,279
	Pensions interest cost			1,556,000	1,416,000
	Expected return on pension assets			-1,616,000	-1,426,000
	NET OPERATING EXPENDITURE			11,522,276	11,278,553
Financing of net revenue expenditure	Income from Collection Fund			-4,546,407	-4,360,437
	Revenue support grant			-937,251	-982,814
	Contribution from the non-domestic rate pool			-5,584,836	-5,091,359
	DEFICIT/(SURPLUS) FOR THE YEAR			453,782	843,943

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE 2007/2008

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2007/2008	2006/2007	
	£	£	note
(Surplus)/deficit for the year on the Income & Expenditure Account	453,782	843,943	
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-500,098	-915,580	13
(Increase)/Decrease in the General Fund Balance for the year		-46,316	-71,637
General Fund Balance brought forward		-1,579,947	-1,508,310
General Fund Balance carried forward		-1,626,263	-1,579,947

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES 2007/2008

	2007/2008	2006/2007
	£	£
(Surplus)/Deficit for the year on the Income and Expenditure Account	453,782	843,943
(Surplus)/Deficit arising on revaluation of fixed assets	0	156,294
Actuarial (Gains)/Losses on pension fund assets and liabilities	-709,000	-1,893,000
Any other recognised (Gains)/Losses	-643,862	-134,962
Total recognised (Gains)/Losses for the year	-899,080	-1,027,725

BALANCE SHEET AS AT 31 MARCH 2008
--

	31.03.08			31.03.07	note
	£	£	£	£	
Assets					
Fixed assets					
Operational					
Community		513,854		462,564	
Infrastructure		410,917		406,187	
Land and buildings		10,424,848		9,955,479	
Vehicles		102,565		133,979	
Equipment		687,058		947,550	
Intangibles		94,673		87,407	
Non-operational					
Surplus assets, held for disposal		1,792,446		1,510,299	
		<u>14,026,361</u>		<u>13,503,465</u>	20
Long Term Investments		2,591,670		545,000	37
Long-term debtors		<u>188,685</u>		<u>261,900</u>	
Total long-term assets			16,806,716	14,310,365	
Current assets					
stocks and work in progress		68,591		55,237	28
debtors	3,364,393			3,357,849	46
bad debt provisions	<u>-959,201</u>	2,405,192		-924,885	46
investments		<u>9,620,337</u>		<u>8,078,519</u>	
			12,094,120	10,566,720	
Liabilities					
Current liabilities					
creditors		-2,718,487		-2,203,833	47
short term borrowing		-1,000,760		0	22
section 106 agreements		-2,397,236		-1,418,038	36
receipts in advance		-786,837		-103,239	
cash overdrawn		<u>-875,277</u>		<u>-806,968</u>	
			<u>-7,778,597</u>	<u>-4,532,078</u>	
Total assets less current liabilities			21,122,239	20,345,007	
Provisions		-127,496		-123,023	38
PWLB Loan		-1,011,344		0	29
Capital contributions unapplied		-564,887		-1,099,552	35
Liability related to defined benefit pension scheme		<u>-5,622,000</u>		<u>-6,225,000</u>	9
			<u>-7,325,727</u>	<u>-7,447,575</u>	
Total assets less liabilities			13,796,512	12,897,432	
Balances & Reserves					
Revaluation reserve		0		0	39
Capital adjustment account		-14,726,067		-14,208,447	39
Financial Instruments Adjustment Account		-20,000		0	39
Useable capital receipts reserve		-1,910,555		-2,918,199	39
Deferred credits		-175,440		-235,536	38
Pensions reserve		5,622,000		6,225,000	24
Earmarked reserves		-426,634		-296,613	38
Balances:					
- general fund		-1,626,263		-1,579,947	
- collection fund		<u>-533,553</u>		<u>116,310</u>	
Total equity			<u>-13,796,512</u>	<u>-12,897,432</u>	24

Alex Colyer

Executive Director(Finance)

25th September 2008

THE CASH FLOW STATEMENT 2007/2008
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		2007/2008		2006/2007	note	
		£	£	£		
Revenue Activities	CASH OUTFLOWS					
	Cash paid to and on behalf of employees		5,123,985	5,125,845		
	Other operating cash payments		7,292,844	7,998,301		
	Housing Benefit paid out		11,678,476	11,242,144		
	NNDR payments to national pool		14,120,364	13,246,450		
	Precepts paid		32,365,376	30,587,429		
	Payments to the Capital Receipts Pool		17,242	15,836		
			-----	-----		
				70,598,287	68,216,005	
				-----	-----	
	CASH INFLOWS					
	Rents (after rebates)		-495,275	-259,474		
	Council Tax income		-32,574,393	-30,370,999		
	NNDR receipts from national pool		-5,584,836	-5,090,359		
	Non-domestic rate income		-14,060,901	-13,102,505		
	Revenue Support Grant		-937,251	-1,018,169		
	DWP Grants for benefits		-15,722,352	-14,817,148		
	Other government grants		-794,842	-518,424		
	Cash received for goods and services		-1,899,704	-1,978,352		
	Other operating cash receipts		-879,323	-1,085,241		
		-----	-----			
			-72,948,877	-68,240,671		
			-----	-----		
	NET CASH FLOW FROM REVENUE ACTIVITIES		-2,350,590	-24,666	40	
Servicing of Finance	CASH OUTFLOWS					
	Interest paid		26,841	4,131		
	CASH INFLOWS					
	Interest received		-883,946	-595,760		
			-----	-----		
			-857,105	-591,629		
Capital Activities	CASH OUTFLOWS					
	Purchase of fixed assets	1,295,903		1,254,307		
	Purchase of long-term investments	2,017,515		220,588		
	Other capital payments	997,574		1,100,265		
		-----		-----		
			4,310,992	2,575,160		
	CASH INFLOWS					
	Sale of fixed assets	-121,147		-414,743		
	Capital grants received	-275,528		-382,929		
	Other capital cash receipts	-62,880		-49,751		
		-----	-----			
			-459,555	-847,423		
			-----	-----		
			3,851,437	1,727,737		
			-----	-----		
	NET CASH OUTFLOW OR (INFLOW) BEFORE FINANCING		643,742	1,111,442		
Management of Liquid Resources	NET INCREASE/(DECREASE) IN SHORT TERM DEPOSITS		1,424,568	-438,716		
	Financing					
	CASH OUTFLOWS / CASH INFLOWS					
	Repayment of amounts borrowed / New loans raised		-2,000,000	0		
			-----	-----		
	DECREASE / (INCREASE) IN CASH AND CASH EQUIVALENTS		68,310	672,726		
			=====	=====		

NOTES TO THE CORE ACCOUNTS

1 Prior Period Adjustments

The new requirements of the SORP 2007 have made it necessary for the following Prior Period Adjustments. The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/2007 to accommodate the implementation of the Revaluation Reserve (see accounting policies). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The debit balance of £6,522,689 on the FARA and the credit balance of £20,731,136 on the Capital Financing Account at 31 March 2007 have been written off to the new Capital Adjustment Account to give a balance of £14,208,447. The Revaluation Reserve has then been included in the Balance Sheet with a zero balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

2 Acquired/ Discontinued operations

There were no acquired or discontinued operations during the year.

3 Undischarged obligations

The Council has a long term agreement with Anglia Revenues Partnership for the provision of a Revenues and Benefits Service.

4 Trading Operations

The Council owns Ely market rights, and also owns a number of industrial sites in the District. Operation of The Maltings public hall was contracted out with effect from November 1994. The profits (or losses) on these trading operations were as follows:

	2007/2008		2006/2007	
	Turnover	Profit (loss)	Turnover	Profit (loss)
	£	£	£	£
Ely markets	145,026	22,223	142,933	13,280
Business Units	61,298	-49,079	46,221	-15,935
Maltings hall	105,909	6,090	104,201	15,946
	-----	-----	-----	-----
Total	312,233	-20,766	293,355	13,291
	=====	=====	=====	=====

Ely Markets increased surplus due to a reduction in expenditure on equipment.
The increased deficit on the Business units was because of increased maintenance and fuel costs.
Maltings reduction in surplus was due to an increase in administration costs

5 Publicity Expenditure [S5(1) of the Local Govern- ment Act 1986]

The Council's expenditure on publicity is set out below.

	2007/2008	2006/2007
	£	£
Recruitment advertising	50,330	51,725
Other advertising	69,586	60,369
Promotions	34,242	41,967
Other publicity	2,577	2,089
	-----	-----
	156,735	156,150
	=====	=====

6 Agency Expenditure

The Council undertakes grass cutting in Ely as agents for Cambridgeshire County Council. The County Council reimburses the District Council for the cost of this work, subject to a cash limit, and makes a contribution towards administrative costs. The direct expenditure in 2007/2008 was £4864 (2006/2007 £2,814) towards which the County Council contributed £4864 (2006/2007 £2,814). There was, therefore, no deficit to be included in the income & Expenditure account.

NOTES TO THE CORE ACCOUNTS continued

7 Local Government Pension Scheme

In 2007/2008 the Council paid an employer's contribution of £550,096 (2006/2007 £446,337 @ 10.5%), representing 13.1% of employees pensionable pay into the Cambridgeshire County Pension Fund. The contribution rate is set to meet 100% of the pension fund's liabilities. The scheme provides members of the Fund with defined benefits related to pay and service. The contribution rate is determined by the Fund's actuary, based on triennial valuations. The last review took place on 31 March 2007.

In addition to the above the Council is responsible for all pension payments relating to added years' benefits it has awarded together with the related increases. In 2007/2008, these amounted to £98,845 (2006/2007 £90,170), representing 2.35% of pensionable pay.

The capital cost of these discretionary increases in pensions payments agreed by the authority is:-

Current year decisions	£0
Earlier year decisions for which payments are still being made	£1,152,000

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Cambridgeshire County Council. This is a funded scheme, meaning that the authority and employees pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the I & E A/C after Net Operating Expenditure. The following transactions have been made in the I & E A/C during the year:-

	2007/2008 £000's	2006/2007 £000's
Net cost of services:		
Current service cost	(793)	(930)
Past service costs	0	(51)
Net Operating Expenditure:		
Interest cost	(1556)	(1416)
Expected return on assets in the scheme	1616	1426
Net charge to the Income & Expenditure Account	(733)	(971)
Statement of Movement in the General Fund Balance:		
Reversal of net charges made for retirement benefits in accordance with FRS 17	106	433
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to the scheme	627	538

NOTES TO THE CORE ACCOUNTS continued

**8
Pensions
Reserve**

The actuarial gains identified as movements on the Pension Reserve in 2007/2008 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2008.

		Differences between the expected and actual return on assets	Differences between actuarial assumptions about liabilities and actual experience	Changes in the financial assumptions underlying the present value of Liabilities	Totals
<u>2007/2008</u>	£000's	-2,719	-1,229	4,657	709
	%	(12.4)	(4.5)	16.9	
<u>2006/2007</u>	£000's	216	11	1,666	1,893
	%	1.0	0.0	5.8	
<u>2005/2006</u>	£000's	3,002	-16	-3,174	-188
	%	14.3	(0.1)	(11.1)	
<u>2004/2005</u>	£000's	821	-1,034	-2,661	-2,874
	%	4.9	(4.3)	(11.1)	
<u>2003/2004</u>	£000's	2,080	-650	0	1,430
	%	14.2	(3.7)	0.0	
<u>2002/2003</u>	£000's	-4,390	540	-10	-3,860
	%	(36.6)	3.4	(0.1)	

NOTES TO THE CORE ACCOUNTS continued

9 Pensions

In accordance with Financial Reporting Standard No 17 - Retirement Benefits (FRS 17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in the note on pensions in the Accounting Policies the Council participates in the Local Government Superannuation Scheme which is administered by the Cambridgeshire County Council's Pension Fund. In addition the Council has liabilities for discretionary pension payments outside the main scheme.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Our actuary has allowed for 25% of future retirements to elect to take this additional payment.

The actuary has made allowance for the removal of the "Rule of 85" for new entrants from 1 October 2006, to the extent that any such new entrants were included in the membership data for the formal valuation at 31 March 2007. No allowance is made for the effect of the abolition of the "Rule of 85" for new entrants since 31 March 2007. This is due to insufficient available information and the effect is likely to be immaterial in actuarial terms.

	2007/2008	2006/2007
	£	£
	£000,s	£000,s
The Council's assets and liabilities amounted to:-		
Share of assets in County Council Fund	21,860	22,635
Estimated liabilities in County Council Fund	-27,482	-28,860
	-----	-----
Net assets/(liabilities) in County Council Fund	-5,622	-6,225
	=====	=====

Assets are valued at fair value, principally market value for investments, and consist of the following categories, by proportion:-

	Long term return	2007/2008	2006/2007
	%	%	%
Equity investments	7.7	69.6	74.2
Bonds	5.7	12.8	11.3
Property	5.7	12.0	12.4
Cash	4.8	5.6	2.1
		-----	-----
		100.0	100.0
		=====	=====

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as at 31 March 2007 and updated for the following three years, by Hymans Robertson the independent actuaries to the County Fund. The main assumptions used in the calculations are:-

	2007/2008	2006/2007
	%	%
Rate of inflation	3.6	3.2
Rate of increase in salaries	5.1	4.7
Rate of increase in pensions	3.6	3.2
Rate for discounting scheme liabilities	6.9	5.4

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

NOTES TO THE CORE ACCOUNTS continued

**10
Remuneration
of certain
employees**

The numbers of employees whose Remuneration fell within the following bands were:-

	2007/2008	2006/2007
	No of Employees	No of Employees
Band £50,000 to £60,000	3	1
Band £60,000 to £70,000	0	0
Band £70,000 to £80,000	0	4
Band £80,000 to £90,000	4	0
Band £90,000 to £100,000	0	0
Band £100,000 to £110,000	0	1
Band £110,000 to £120,000	1	0

**11
Building
Regulations**

The Council's Building Regulation Service Statement is shown below.

	Non-chargeable	Chargeable	Total Building Control
	2007/2008	2007/2008	2007/2008
	£	£	£
Expenditure			
Employee expenses	141,856	158,929	300,785
Premises	6,169	316	6,485
Transport	415	0	415
Supplies & Services	1,260	23,493	24,753
Central & Support charges	62,291	99,626	161,917
	-----	-----	-----
Total Expenditure	211,991	282,364	494,355
Income			
Building Regulation charges	0	-281,083	-281,083
Miscellaneous Income	-41	-6,119	-6,160
	-----	-----	-----
Total Income	-41	-287,202	-287,243
(Surplus)/Deficit for the Year	211,950	-4,838	207,112
	=====	=====	=====
Comparatives for 2006/2007			
Expenditure	175,397	312,636	488,033
Income	-1,509	-270,357	-271,866
(Surplus)/Deficit for the Year	173,888	42,279	216,167
	-----	-----	-----
Reserve A/C		2007/2008	2006/2007
(Surplus)/Deficit B/F		51,421	9,142
(Surplus)/Deficit in year		-4,838	42,279
		-----	-----
(Surplus)/Deficit C/F		46,583	51,421
		=====	=====

**12
Audit costs**

The following fees relating to external audit and inspection were incurred:-

	2007/2008	2006/2007
	£000's	£000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	93	88
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns	21	23
Fees payable in respect of other services provided by the appointed auditor	0	0

NOTES TO THE CORE ACCOUNTS continued

**13
Reconciling
Items**

	2007/2008		2006/2007
	£	£	£
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
Amortisation of intangible fixed assets	0		0
Depreciation and impairment of fixed assets	-757,104		-699,315
Government Grants Deferred amortisation	0		0
Write down of deferred charges to be financed from capital resources	-743,502		-714,736
Net (loss)/gain on sale of fixed assets	94,022		379,609
Net charges made for retirement benefits in accordance with FRS 17	-733,000		-971,000
		-2,139,584	-2,005,442
Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year			
Minimum revenue provision for capital financing	20,000		0
Capital expenditure charged in-year to the General Fund Balance	879,707		725,587
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-17,242		-15,836
Employer's contributions payable to the Cambridgeshire Pension Fund and retirement benefits payable direct to pensioners	627,000		538,000
		1,509,465	1,247,751
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			
Voluntary revenue provision for capital financing	0		0
Net transfer to or from earmarked reserves	130,021		-157,889
		130,021	-157,889
Net additional amount required to be debited or (credited) to the General Fund Balance for the year		-500,098	-915,580

NOTES TO THE CORE ACCOUNTS continued

14 Move- ments in Revenue Resources	Movements in revenue resources	General Fund Balances £	Earmarked Revenue £	Pensions Reserve £
	Surplus/(deficit) for 2007/2008	-46,316	0	0
	Appropriations to/from revenue	0	-130,021	106,000
	Actuarial gains/losses on pensions	0	0	-709,000
		<u>-46,316</u>	<u>-130,021</u>	<u>-603,000</u>
	Balance B/F at 1st April	-1,579,947	-296,613	6,225,000
	Balance C/F at 31st March	<u>-1,626,263</u>	<u>-426,634</u>	<u>5,622,000</u>

The Pension Reserve is made up as follows:-		£
Actuary Value		4,470,000
Unfunded Liabilities		1,152,000
		<u>5,622,000</u>

15 Supplies to Other Public Sector Bodies

The Local Authorities (Goods and Services) Act 1970 empowers the Council to provide goods and services to other local authorities and to certain other bodies. There was no significant activity under this Act during the year.

16 Minimum Revenue Provision

Local authorities are required by The Local Authorities (Capital Finance and Accounting) Regulations 2003 to set aside a minimum revenue provision for the redemption of external debt. This is based on the Capital Financing Requirement as defined in the Regulations and the Prudential Code. Provision has been made in the accounts for the Long Term Loan of £1m over 50 years.

17 Members Allowances

The total members' allowances paid in the year was £161,914 (2006/2007 £143,582)

18 Movements of Deferred Charges

Movements in deferred charges during the year were;

	2007/2008		2006/2007	
	Improvement Grants	Other £	Improvement Grants £	Other
Balance at 31 March 2007	0	0	0	0
Expenditure in year	737,471	281,559	686,669	410,996
Written down in year	-461,943	-281,559	-303,740	-410,996
Financed from capital grant	-275,528	0	-382,929	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance at 31 March 2008	0	0	0	0

19 Commit- ments under Capital Contracts

There has been no provision made in the accounts for commitments in respect of retentions held under capital contracts outstanding at 31 March 2008.

The Council has an ongoing capital programme and capital spending plans for the years 2008/2009 to 2010/2011 have been made. As at 31 March 2008 no significant expenditure had been legally committed.

The total capital payments expected to be made are as follows;

2008/2009 £000	2009/2010 £000	2010/2011 £000
1,064	514	514

The Council's future capital spending plans are kept under constant review in the light of available resources and changing circumstances.

NOTES TO THE CORE ACCOUNTS continued

20 Capital Expenditure and Disposals

Movements in fixed assets during the year were:						
	Community Assets	Infra- structure Assets	Non- operational Assets	Operational Land and buildings	Equipment, vehicles, intangibles	Total
	£	£	£	£	£	£
Balance at 01.04.07						
Gross value	503,640	424,303	1,741,253	12,518,476	3,115,033	18,302,705
Depn b/f	-41,076	-18,116	-230,954	-2,562,997	-1,946,097	-4,799,240
Net value	462,564	406,187	1,510,299	9,955,479	1,168,936	13,503,465
Additions	72,007	6,147	336,439	709,023	149,272	1,272,888
Disposals	0	0	0	0	-9,000	-9,000
Revaluations	0	0	0	0	3,000	3,000
Depreciation	-20,717	-1,417	-54,292	-239,654	-422,498	-738,578
Impairments	0	0	0	0	-5,414	-5,414
Recategorised	0	0	0	0	0	0
Recat. Depn	0	0	0	0	0	0
Balance at 31.03.08						
Gross value	575,647	430,450	2,077,692	13,227,499	3,252,891	19,564,179
Depn c/f	-61,793	-19,533	-285,246	-2,802,651	-2,368,595	-5,537,818
Net value	513,854	410,917	1,792,446	10,424,848	884,296	14,026,361

The analysis of Intangible assets included in the above is:

	£
Balance at 01.04.07	
Gross value	120,832
Depn b/f	-33,425
Net value	87,407
Additions	42,263
Disposals	0
Revaluations	0
Depreciation	-34,997
Impairments	0
Balance at 31.03.08	
Gross value	163,095
Depn c/f	-68,422
Net value	94,673

	2007/2008	2006/2007
	£	£
The sources of finance for capital expenditure were:		
Government Grants	275,528	382,929
General Fund	879,707	725,587
Useable capital receipts	1,158,309	1,395,605
Total source of finance	2,313,544	2,504,121
Used to fund:		
Deferred charges	1,019,030	1,097,665
Long term debtors	7,790	182,896
Fixed assets	1,286,724	1,223,560
Total expenditure	2,313,544	2,504,121

Depreciation is made on buildings, vehicles, equipment and intangible assets on the straight line method based on the expected remaining life. Land is not depreciated.

The useful lives of assets is estimated as:-

Class of Asset	Buildings	Plant & equipments	Vehicles	Infrastructure assets	Community assets	Intangible assets
Useful life by years	9-99	3-20	3-10	9-99	15-99	5

NOTES TO THE CORE ACCOUNTS continued

**21
Assets
Held**

East Cambridgeshire District Council owned the following assets at 31 March 2008:

LAND AND BUILDINGS

Environmental Services:

Dwelling	1
Public Conveniences	10
Travellers Site	1

Leisure Services:

Leisure Centres	1
Parks	2
Play Areas	5
Swimming Pool	1
Tourist Information Centre	1
Museum	1

Transportation:

Car parks	14
-----------	----

Trading Services:

Industrial Estates	2
Shops/Offices	4
Public Hall/Restaurant	1

Support Services:

Administrative Offices	2
Depots	2
Vehicles	
Recycling Vehicle	2
Ride-on Mowers	5
Trucks/Lorries	7
Tractors	2
Trailers	9
Vans	10

NOTES TO THE CORE ACCOUNTS continued

22 Borrowing

The Council has taken out a long term PWLB Loan for £1,000,000 repayable in 2057 and a short term loan of £1,000,000 repayable on 1 April 2008.

Also see note 29.

23 Valuation of Fixed Assets

The freehold and leasehold properties which comprise the Council's property portfolio were revalued as at 1 April 2004 by an external independent valuer, R G Bunnett FRICS, Carter Jonas Property Consultants, on the basis shown in the Accounting policies in accordance with the Statements of Asset Valuation Practice and Guidance notes published by the Royal Institution of Chartered Surveyors, so far as these were consistent with the council's requirements. Assets acquired or substantially altered have been valued or revalued as appropriate.

The valuer carries out inspections, makes local enquiries, and obtains such further information as he considers relevant for his purpose. The sources of information and assumptions made in producing the valuations are set out in valuation certificates and reports, which are prepared specifically for capital accounting purposes only.

The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

The following table shows the progress of the council's programme for the revaluation of fixed assets, the majority of which are revalued every 5 years.

	Community Assets	Infra- structure Assets	Non- operational Assets	Operational Land and buildings	Vehicles, Equipment, Intangibles	Total
Valued at historical cost	£	£	£	£	£	£
	513,854	410,917			884,296	1,809,067
Valued at current value in:-						
2004/2005			781,675	9,190,263		9,971,938
2005/2006				418,289		418,289
2006/2007			674,333	107,274		781,607
2007/2008			336,438	709,022		1,045,460
	<u>513,854</u>	<u>410,917</u>	<u>1,792,446</u>	<u>10,424,848</u>	<u>884,296</u>	<u>14,026,361</u>

24 Net Assets Employed

	31.03.08	31.03.07
	£	£
General Fund - revenue	-1,626,263	-1,579,947
Earmarked reserves	-426,634	-296,613
General Fund - capital	-16,656,622	-17,126,646
Deferred credits	-175,440	-235,536
Collection Fund	-533,553	116,310
Pensions reserve	5,622,000	6,225,000
	-----	-----
	-13,796,512	-12,897,432
	=====	=====

25 Related Companies

The Council fully owns East Cambridgeshire Business Centres Limited.

The aim of the business is the promotion of economic development by providing a Managed Workspace Centre. This will have small business units and associated common facilities for new and very small businesses. The shared facilities help to keep the costs of the businesses down as it saves them having to purchase equipment and provides meeting/training rooms.

The workspaces are let on a short term basis to allow them to expand or contract as necessary without being locked into a long term tenancy agreement.

Group Accounts have been produced in full for 2007/2008.

The net assets of the company at 31 March 2008 were £619,100 (31 March 2007 £426,244)

The company made a surplus of £994 before tax in the year (2006/2007 deficit £1,258)

Copies of the accounts for East Cambridgeshire Business Centres Limited can be obtained from:-

The Grange
Nutholt Lane
Ely Cambs

NOTES TO THE CORE ACCOUNTS continued

26 Assets held under leases

Finance leases:-

The Council held no assets under finance leases during the year.

Operating leases:-

The council is lessor of a number of properties.

The aggregate rentals receivable in the year 2007/2008 in relation to operating leases was £350,123 (2006/2007 £397,730)

The gross amounts of assets held for use in operating leases was £6,979,301 (2006/2007 £7,242,850) and the related accumulated depreciation charges were £1,524,885 (2006/2007 £1,388,850)

27 Insurance Provisions

The Council covers all known material insurable risks externally. The Council's accounts do not include specific provision for unfunded insurable risks.

28 Stock and w.i.p.

Stock and work in progress have been valued for balance sheet purposes at the lower of realisable value or cost.

29 PWL B Loan

The loan from the PWLB is held on the Balance Sheet at its amortised cost value of £1,011,344.

The fair value of the loan at 31 March 2008 was calculated as £1,035,321 using a comparable new borrowing rate for an equivalent structure as per LAAP 73.

Both valuations include the accrued interest at 31 March 2008 of £11,344.

30 PBSE

There were no material post balance sheet events not reflected in the financial statements.

31 Contingent Liabilities

There were no significant contingent liabilities at the balance sheet date.

32 Trust and Third Party Funds

There were no material trust funds or other third party funds administered by the Council during the year.

33 Related Party Balances

There were no known material transactions with related parties when the accounts were produced that are not disclosed elsewhere in the accounts.

34 LAA

The council is a participant in Cambridgeshire Together, a Local Area Agreement (LAA). This is a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services.

Cambridgeshirs Together has five key goals:

- ◆ Growth - accommodating growth, creating flagship communities and ensuring the benefits of growth and infrastructure are enjoyed by all communities
- ◆ Economic Prosperity - supporting the special role of the county as a centre of knowledge and innovation, especially in low carbon technologies
- ◆ Environmental Sustainability - meeting the challenges of climate change while maintaining a high quality of life
- ◆ Equality and Inclusion - supporting vulnerable groups and enabling them to participate fully in community life, and encouraging healthier and more sustainable communities
- ◆ Strong Communities - engaging citizens in service planning and improvement and ensuring our communities enjoy good quality environments and health, free from crime, unemployment, discrimination and inequalities

NOTES TO THE CORE ACCOUNTS continued

Cambridgeshire Together partners are:

Cambridgeshire County Council, Cambridge City Council, South Cambridgeshire District Council, Fenland District Council, East Cambridgeshire District Council, Huntingdonshire District Council, Cambridgeshire Constabulary, Cambridgeshire Primary Care Trust, Cambridge Council for Voluntary Services, Cambridgeshire ACRE, Cambridgeshire Association of Town Councils, East Cambridgeshire Council for Voluntary Services, Fenland Council for Voluntary Services, Hunts Forum for Voluntary Services, Young Lives, Greater Cambridge Partnership.

The agreement is in the second year of 3.

Cambridgeshire County Council acts as the accountable body for the LAA. The total amount of LAA Grant received in 2007/08 was £5.6m.

East Cambridgeshire District Council received £139,159 of this total to fund its own services.

**35
Capital
Contributions
Unapplied**

This account includes unspent capital contributions received for projects that have not incurred any expenditure in 2007/08. They have, therefore, not been used to finance capital expenditure. On completion of the projects the contributions will be used to finance them.

**36
Section 106
Agreements**

This holds receipts of monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (e.g. improvement of public open spaces). The sums are restricted to be spent only in accordance with the agreement with the developer. There is no time limit in these agreements after which the monies should be returned.

**37
Long
Term
Investments**

This includes investments in East Cambridgeshire Business Centres Ltd (see note 25)
It also includes fixed term investments which have more than 1 year to run.

	31.03.08	31.03.07
	£	£
Investments in business	545,725	545,000
Fixed term investments	2,045,945	0
	-----	-----
	2,591,670	545,000
	=====	=====

NOTES TO THE CORE ACCOUNTS continued

**38
Move-
ments in
Provisions
or Reserves**

Purpose	As at 31.03.07 £		Net movement in year £	As at 31.03.08 £	Note
<i>PROVISIONS</i>					
Maintenance of amenity areas	-80,873		31,685	-49,188	(a)
Sport, recreation, etc grants	-10,000		3,532	-6,468	(b)
Historic building grants	-32,150		-39,690	-71,840	(c)
	-123,023		-4,473	-127,496	
	=====		=====	=====	
Purpose	As at 31.03.07 £	(Gains)/ Losses in year £	Net amount transferred to/from other reserves £	As at 31.03.08 £	
<i>RESERVES</i>					
Capital Adjustment Account	-14,208,447	0	-517,620	-14,726,067	j
Revaluation Reserve	0	0	0	0	k
Financial Instruments adjustment account:	0	0	-20,000	-20,000	l
Building Control reserve	51,421	0	-4,838	46,583	(d)
Economic Dev reserve	-69,784	0	69,784	0	(e)
Training	-6,505	0	-6,895	-13,400	(f)
District Elections reserve	-30,000	0	30,000	0	(g)
Historic Grants	-27,244	0	-10,826	-38,070	(f)
Vehicle replacement reserve	-3,672	0	-1,361	-5,033	(f)
IT reserve	-77,969	0	63,004	-14,965	(f)
Planning Delivery Grant reserve	-56,916	0	-189,703	-246,619	(f)
Sport & Rec consultants reserve	0	0	-10,400	-10,400	(f)
Car Parks	-4,852	0	29,852	25,000	(f)
Asset Management reserve	-71,092	0	-13,592	-84,684	(h)
Pension contributions reserve	0	0	-60,000	-60,000	(i)
Best Value reserve	0	0	-9,891	-9,891	(f)
Contributions to Capital reserve	0	0	-15,155	-15,155	(f)
Deferred Credits	-235,536	0	60,096	-175,440	m
Collection Fund	116,310	0	-649,863	-533,553	n
General Fund reserve	-1,579,947	-46,316	0	-1,626,263	o
Useable capital receipts reserve	-2,918,199	0	1,007,644	-1,910,555	p
Pensions reserve	6,225,000	-603,000	0	5,622,000	q
	-12,897,432	-649,316	-249,764	-13,796,512	
	=====	=====	=====	=====	

Notes

- (a) Amounts received which are used to fund the maintenance of amenity areas over a period of 15 years.
- (b) Grants committed by Committee which will be paid out over the next 2 years.
- (c) Grants committed by Committee which will be paid out within the next 2 years.
- (d) Reserve created to hold any surplus from the Building Control function to be used solely on Building Control in any year that has a deficit.
- (e) Reserve created to fund the Council's contribution on Economic Development Funded schemes which were completed or ended as part of the new plan.
- (f) Reserves created to fund expenditure on delayed projects. See individual lines
- (g) Reserve to fund District Elections in required years.
- (h) Reserve to hold unused Asset Management budget so that the planned work can be funded as required.
- (i) Reserve created to help fund the Council's future Pension contribution requirements due to increases in rates.
- (j) This provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.
- (k) This records the unrealised revaluation gains arising since 1 April 2007 from holding assets.
- (l) Holds the balance of the provision for repayment of long term debt.
- (m) These are amounts due from loans given for capital expenditure, which will be received in instalments over agreed periods of time. They arise principally from mortgages on sale of council houses.
- (n) Accounts required to be kept by the Council to record all income collected from local taxpayers, showing how this is passed on to other local authorities and government organisations.
- (o) This balance is held for cash flow purposes and to support future revenue and capital spending.
- (p) Holds the proceeds of fixed asset sales available to meet future capital expenditure.
- (q) Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.

NOTES TO THE CORE ACCOUNTS continued

**39
Move-
ments in
Capital
Reserves**

	2007/2008	2006/2007
	£	£
Fixed asset restatement account: (Also see note 1)		
Opening balance	0	6,366,395
Surplus on revaluation and restatement of fixed assets	0	-1,500
Disposal/revaluation of fixed assets	0	157,794
Transfer to Capital adjustment account	0	-6,522,689
	-----	-----
	0	0
	=====	=====

	2007/2008	2006/2007
	£	£
Revaluation Reserve (Also see note 1)		
Opening balance	0	0
Surplus on revaluation and restatement of fixed assets	-3,000	0
Disposal/revaluation of fixed assets	3,000	0
	-----	-----
	0	0
	=====	=====

The revaluation reserve records unrealised revaluation gains arising since 1 April 2007 from holding fixed assets.

	2007/2008	2006/2007
	£	£
Capital financing account: (Also see note 1)		
Balance at beginning of year	0	-20,063,891
Capital financing in year - capital receipts	0	-1,395,605
Capital financing in year - revenue	0	-725,587
less: Depreciation provision	0	699,315
less: Write down of deferred charges	0	754,632
Transfer to Capital adjustment account	0	20,731,136
	-----	-----
	0	0
	=====	=====

	2007/2008	2006/2007
	£	£
Capital adjustment account: (Also see note 1)		
Balance at beginning of year	-14,208,447	0
Capital receipts set aside in year	0	0
Capital financing in year - capital receipts	-1,158,307	0
Capital financing in year - revenue	-879,709	0
less: Depreciation provision	751,690	0
less: Write down of deferred charges	757,292	0
Carrying value of fixed assets disposed of	11,414	0
Transfer from Fixed asset restatement account	0	6,522,689
Transfer from Capital financing account	0	-20,731,136
	-----	-----
	-14,726,067	-14,208,447
	=====	=====

The Capital adjustment account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

	2007/2008	2006/2007
	£	£
Useable capital receipts reserve:		
Balance at 31 March 2007	2,918,199	3,893,321
Capital receipts in year	167,907	436,318
Less:		
Pooling of Housing Capital Receipts	-17,242	0
Capital receipts used for financing	-1,158,309	-1,411,440
	-----	-----
	-1,175,551	-1,411,440
	-----	-----
Balance at 31 March 2008	£1,910,555	£2,918,199
	=====	=====

The useable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts as "Provision for Credit Liabilities" in the capital financing reserve.

NOTES TO THE CORE ACCOUNTS continued

Financial Instruments adjustment account:	2007/2008	2007/2008
	£	£
Balance at beginning of year	0	0
MRP provision	-20,000	0
	-20,000	0
	=====	=====

**40
Reconciliation
of surplus to
net cash flow**

	2007/2008	2006/2007
	£	£
Deficit/(Surplus) from Income & Expenditure Account	453,782	843,943
Deficit/(Surplus) from Collection Fund	-649,863	-118,148
	-196,081	725,795
NON-CASH TRANSACTIONS		
depreciation/impairment	-757,104	-699,315
movement on provisions	-4,472	138,026
written down of deferred charges	-743,502	-714,736
FRS17 adjustment	-106,000	-433,000
gain/(loss) on disposal of fixed assets	94,022	379,609
	-1,517,056	-1,329,416
ITEMS ON AN ACCRUAL BASIS		
increase/(decrease) in stocks	13,354	17,770
add: decrease in debtors/investment interest accrued	0	0
less: increase in debtors/investment interest accrued	102,333	266,420
add: increase in creditors/borrowing interest accrued	-1,610,252	-296,864
less: decrease in creditors/borrowing interest accrued	0	0
	-1,494,565	-12,674
ITEMS CLASSIFIED IN ANOTHER CLASSIFICATION IN THE CASH FLOW STATEMENT		
less: investment income (net)	857,112	591,629
	857,112	591,629
Net cash flow from revenue activities	-2,350,590	-24,666
	=====	=====

**41
Movement in
cash and cash
equivalents**

	31.03.07	Movement 2007/2008	31.03.08
	£	£	£
Short term investments repayable on demand	0	0	0
Cash (overdrawn) or in hand at bank	-806,968	-68,310	-875,278
	-806,968	-68,310	-875,278
	=====	=====	=====

**42
Movement
in liquid
resources**

	31.03.07	Movement 2007/2008	31.03.08
	£	£	£
Short term investments	8,078,519	1,424,568	9,503,087
Other	0	0	0
	8,078,519	1,424,568	9,503,087
	=====	=====	=====

**43
Liquid
resources**

Liquid resources are short term deposits for a period up to 1 year.

**44
Further
narrative or
analysis**

- i. The cash flow statement summarises the inflows and outflows of cash arising from the transactions with third parties for both revenue and capital purposes.
- ii. "Interest paid" relates to interest on borrowing and interest statutorily payable in respect of receipts of National Non-Domestic Rates which were subsequently found to be overpayments as a result of successful appeals against valuations. This interest is recovered by being offset against the Council's contribution to the national non-domestic rating pool.

NOTES TO THE CORE ACCOUNTS continued

**45
Analysis of
Government
grants**

	2007/2008		2006/2007
	£	£	£
Housing benefit administration subsidy	301,577		301,577
Council tax benefit administration subsidy	<u>175,155</u>		<u>173,345</u>
		476,732	474,922
Housing Acts - grants towards debt charges:			
Defective housing:			
repurchases	0		920
reinstatements	<u>42,582</u>		<u>42,582</u>
		42,582	43,502
Home Improvement Agency		<u>0</u>	<u>0</u>
Total "Other government grants"		519,314	518,424
Housing/Council Tax Benefits			
Current Year	15,443,438		14,304,576
Previous Year Final Payment	<u>278,914</u>		<u>512,572</u>
		15,722,352	14,817,148
Revenue Support Grant		937,251	1,018,169
Distribution from national non-domestic rating pool		5,584,836	5,090,359
Capital grants:			
Housing Capital Grant Pot	97,528		189,929
Housing improvements, conversion, or repairs	178,000		193,000
Housing Association Grant (Housing Corporation)	<u>0</u>		<u>0</u>
		275,528	382,929
Total Government grants		<u>23,039,281</u>	<u>21,827,029</u>

**46
Debtors**

	As at 31.03.08	As at 31.03.07
Amounts falling due within one year	31,03,08	31,03,07
Local authorities	42,500	54,950
Government departments	206,888	462,427
Council tax payers	1,995,153	1,183,870
NNDR payers	148,487	277,871
Rent Allowance overpayments	466,783	390,005
Sundry debtors	<u>504,582</u>	<u>988,726</u>
Total	3,364,393	3,357,849
Less provision for bad debts	<u>-959,201</u>	<u>-924,885</u>
Total	<u>2,405,192</u>	<u>2,432,964</u>

Breakdown of Bad Debt Provision

	As at 31.03.08	As at 31.03.07
Council tax payers	-755,923	-655,525
NNDR payers	-72,800	-159,588
Rent Allowance overpayments	-93,356	-78,001
Sundry debtors	<u>-37,122</u>	<u>-31,771</u>
Total	<u>-959,201</u>	<u>-924,885</u>

**47
Creditors**

	As at 31.03.08	As at 31.03.07
Local authorities	134,681	363,248
Government departments	932,062	488,570
Council tax payers	1,035,415	674,985
NNDR payers	69,421	270,631
Sundry creditors	<u>546,906</u>	<u>406,400</u>
Total	<u>2,718,485</u>	<u>2,203,834</u>

NOTES TO THE CORE ACCOUNTS continued

48 Financial Instruments

Financial Instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

This includes borrowing, investments and loans.

Long term borrowing is with PWLB and is held at amortised cost .

Short term borrowing is held at amortised cost.

Investments are held in the Balance Sheet at carrying value as there is deemed to be no risk of loss for these investments.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories:-

	Long - Term		Current	
	As at 31.03.07 £000s	As at 31.03.08 £000s	As at 31.03.07 £000s	As at 31.03.08 £000s
Financial liabilities at amortised cost	0	-1,011	-2,789	-3,910
Total borrowings	0	-1,011	-2,789	-3,910
Loans and receivables	262	2,235	9,398	10,387
Available-for-sale financial assets	545	546	0	0
Total investments	807	2,781	9,398	10,387

Financial liabilities and financial assets represented by borrowings and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

- ◆ Estimated interest rates of 4.55% on the PWLB borrowing and 5.55% on the short term borrowing
- ◆ No early repayment or impairment is recognised
- ◆ Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount
- ◆ Available for sale assets relates to the long term investment in East Cambridgeshire Business Centres Limited (see note 25 for more detail). This is held at carrying value as there is no quoted market price so the calculation of a fair value would be unreliable.
The carrying amount at 31 March 2008 was £545,725.
There are no plans to dispose of this financial instrument as the business was created to provide a service to the area and is still a fundamental part of the Councils' service provision.

Financial Instruments at Fair Value and Amortised Cost

	31 March 2008		31 March 2007	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial liabilities	-4,921	-4,945	-2,789	-2,789
Loans and receivables	12,622	12,622	9,660	9,660

The fair value of the Financial liabilities is more than the carrying amount because the Fixed Rate loan from the PWLB has an interest rate that is higher than the rate available for a similar loan at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loan.

NOTES TO THE CORE ACCOUNTS continued

49 Financial Instruments continued

Nature and extent of risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- ◆ credit risk - the possibility that other parties might fail to pay amounts due to the authority
- ◆ liquidity risk - the possibility that the authority might not have the funds available to meet its commitments to make payments
- ◆ market risk - the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are only made with banks and financial institutions that satisfy the required level of ratings as notified by Sector at the time. Some institutions are limited to short term lending up to 3 months. The maximum amount that can be lent to one institution at any particular time is £3m.

In light of the above investment strategy, the Council does not consider there to be any quantifiable credit risk in relation to its investments as at 31 March 2008.

In relation to sums owed by the Council's customers and contractual debtors, prudent provision is made for bad debts based on an assessment of the risks for each type of debt and age of those debts. An analysis of the Council's potential maximum exposure to credit risk in relation to debtors can be found at note 46.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £2.215m of the £3.364m is past its due date for payment. The past due amount can be analysed by age as follows:

	£000's
Less than 3 months	39
3 to 6 months	2
6 months to 1 year	794
More than 1 year	1,380
	2,215

Liquidity risk

As the authority has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to meet its commitments under financial instruments.

All financial liabilities as at 31 March 2008 are due within one year except 1 long term loan from PWLB of £1m which is repayable in 2057. Provision is being made to provide for its repayment. Therefore, there is no current risk of having to borrow at unfavourable rates in the future to replenish borrowings.

NOTES TO THE CORE ACCOUNTS continued

50 Financial Instruments continued

Market risk - Interest rate risk exposure

The Council is exposed to minimal risk in respect of adverse interest rate movements in its investments. This is because all of its investments are at fixed rates.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be included. The analysis will also advise whether new borrowing taken out is fixed or variable and short term or longer.

A rise in interest rates would have the following effects:

- ◆ borrowings at variable rates - the interest expense charged to the Income & Expenditure Account will rise
- ◆ borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- ◆ investments at variable rates - the interest income credited to the Income & Expenditure Account will rise
- ◆ investments at fixed rates - the fair value of the assets will fall

A fall in interest rates would create the reverse effect.

If interest rates had been 1% higher with all other variables held constant, the financial effect in 2007/08 would have been a reduction in fair value of the fixed rate investments of £135,000.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account.

Market risk - price

The authority invests in shares in 1 company to provide a local service. There is no intention to sell these shares and there is no other source of valuation of them so the risk is minimal.

Market risk - foreign exchange

The Council has no financial assets or liabilities in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Financial Instruments gains and losses

The gains and losses recognised in the Income & Expenditure Account and Statement of Recognised Gains & Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total £000's
	Liabilities measured at amortised cost £000's	Loans & receivables £000's	Available for sale assets £000's	
Interest payable and similar charges	-31	0	0	-31
Impairment losses	0	0	0	0
Interest and investment income	0	817	0	817
Net gain/(loss) for the year	-31	817	0	786

COLLECTION FUND ACCOUNTS 2007/2008

Revenue Account	Note	2007/2008		2006/2007
		£	£	£
Income				
Income from Council Tax	b	33,003,910		30,680,562
Transfers from General Fund				
Council Tax Benefits		3,400,400		3,370,022
Transitional Relief		2,447		418
Income collectable from				
business ratepayers	a	14,341,706		13,406,838
Contributions towards previous years' Collection Fund deficit		254,821		0
		-----	51,003,284	----- 47,457,840
Expenditure				
Precepts and demands				
Cambridgeshire County Council		25,783,349		24,201,270
Cambridgeshire Police Authority		4,130,910		3,877,403
Cambridgeshire Fire & Rescue		1,448,307		1,373,320
East Cambridgeshire District Council		4,579,269		4,360,437
Business rate				
Payment to national pool		14,248,318		13,313,136
Costs of collection		93,388		93,703
Bad and doubtful debts / appeals				
Write offs		-892		7,732
Provisions		70,772		112,691
Contributions				
towards previous years' Collection Fund surplus		0		0
		-----	50,353,421	----- 47,339,692
Movement on Fund balance				
(Surplus) deficit for year			-649,863	-118,148
			-----	-----
Collection Fund Reserve Balance				
Collection Fund deficit (surplus) at 1 April			116,310	234,458
Movement on Fund balance in year			-649,863	-118,148
			-----	-----
Collection Fund (surplus) deficit at 31 March			-533,553	116,310
			-----	-----

NOTES TO THE COLLECTION FUND ACCOUNTS

General

The Council Tax replaced the former Community Charge ("Poll Tax") with effect from 1 April 1993. At the same time there were changes in the statutory requirements relating to the Collection Fund.

With effect from 1 April 1993 -

- ◆ Revenue Support Grant and amounts distributed from the NNDR national pool are paid directly to all billing and precepting authorities and are now disclosed on the face of the Income and Expenditure Account.
- ◆ Parish precepts are paid from the General Fund of billing authorities and are now disclosed on the face of the Income and Expenditure Account.
- ◆ Interest ceased to be payable on cash flow transfers between the General Fund and the Collection Fund (except on transfers outstanding on 31 March 1993).
- ◆ The year-end surplus or deficit on the Collection Fund is to be distributed between billing and major precepting authorities on the basis of estimates made on 15 January of the year-end balance.

a. National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2008 was £39,098,240 (31 March 2007 £38,204,175). The national non-domestic rate multiplier for 2007/2008 was 44.1p (2006/2007 43.3p).

b. Council Tax base

The calculation of the council tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings is as follows:

	2007/2008	2006/2007
<i>Band</i>	<i>Equivalent number of dwellings</i>	<i>Equivalent number of dwellings</i>
A	2,071	2,041
B	6,616	6,478
C	5,271	5,141
D	5,944	5,985
E	4,392	4,274
F	2,358	2,347
G	883	866
H	115	118
O	0	0
	-----	-----
	27,650	27,250
	-----	-----

c. Precepts and demands

The names of the authorities which made a significant precept or demand on the fund and the amount included for each were as follows:

	2007/2008	2006/2007
	£	£
Cambridgeshire County Council	25,783,349	24,201,270
Cambridgeshire Police Authority	4,130,910	3,877,403
Cambridgeshire Fire & Rescue	1,448,307	1,373,320
East Cambridgeshire District Council	4,579,269	4,360,437

GROUP ACCOUNTS 2007/2008

In accordance with the Code of Practice, the Council is required to produce a Group Income and Expenditure Account, Group Balance Sheet, Group Cashflow Statement, and a Group Statement of Total Movement in Reserves and a Group Statement of Recognised Gains & Losses. The purpose of the group financial statements is to show the overall financial position and the results of the District Council.

Valuation of Fixed Assets

The Council's operational property is held at open market value
East Cambridgeshire Business Centres Limited Land and Buildings are held at current net value of £621,892 with depreciation to date of £12,108 and a Revaluation Reserve total of £195,595
All buildings are being depreciated over their estimated life.

The group financial statements have been produced on the "acquisition" method of consolidation, in accordance with the accounting policy on page 6. The Council's own accounts have been amended to include the subsidiary's figures and are shown as the following Group Accounts.

The Council has only one statutory investment in the East Cambridgeshire Business Centres Limited as described in note 25 to the core accounts.

The net assets are:-

2007-2008		2006-2007	
Total Net Assets	Incorporated in Group Accounts 100%	Total Net Assets	Incorporated in Group Accounts 100%
£	£	£	£
619,100	619,100	424,234	424,234

The net profit/(loss) after taxation are:-

2007-2008		2006-2007	
Total Net Profit/(Loss)	Incorporated in Group Accounts 100%	Total Net Profit/(Loss)	Incorporated in Group Accounts 100%
£	£	£	£
-729	-729	-3,268	-3,268

GROUP INCOME AND EXPENDITURE ACCOUNT 2007/2008

	2007/2008			2006/2007	
	Expenditure £	Income £	Net £	£	
Income and Expenditure	Central Services to the public	4,975,653	-4,170,355	805,298	783,766
	Cultural & Related	1,742,259	-251,818	1,490,441	1,384,410
	Environmental	5,028,660	-638,670	4,389,990	4,113,852
	Planning & Development	3,446,607	-2,119,684	1,326,923	1,515,531
	Transport	673,355	-73,680	599,675	541,764
	Housing	13,403,938	-12,447,442	956,496	1,127,576
	Corporate & Democratic Core	2,513,969	-914,426	1,599,543	1,700,076
	Non Distributed Costs	54,292	0	54,292	51,000
	NET COST OF SERVICES	31,838,733	-20,616,075	11,222,658	11,217,975
	Parish council precepts			1,224,769	1,135,437
	Loss/(gain) on the disposal of fixed assets			-94,022	-379,609
	Contribution of housing capital receipts to Govt. Pool			17,242	15,836
	Interest payable			30,927	0
	Interest receivable			-820,292	-699,828
	Pensions interest cost			1,556,000	1,416,000
	Expected return on pension assets			-1,616,000	-1,426,000
	Corporation Tax			1,723	2,010
	NET OPERATING EXPENDITURE			11,523,005	11,281,821
	Minority Interest			0	0
	NET EXPENDITURE			11,523,005	11,281,821
Financing of net revenue expenditure	Income from Collection Fund			-4,546,407	-4,360,437
	Revenue support grant			-937,251	-982,814
	Contribution from the non-domestic rate pool			-5,584,836	-5,091,359
	DEFICIT/(SURPLUS) FOR THE YEAR			454,511	847,211

RECONCILIATION OF THE COUNCIL SURPLUS/DEFICIT TO THE GROUP POSITION 2007/2008

	2007/2008	2006/2007
	£	£
(Surplus)/deficit for the year on the Income & Expenditure Account	453,782	843,943
Less subsidiary dividend or distribution	0	0
	453,782	843,943
(Surplus) or deficit of the subsidiary	729	3,268
	454,511	847,211
Group Account (surplus)/deficit for the year	454,511	847,211

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES 2007/2008

	2007/2008	2006/2007
	£	£
Net (surplus) or deficit for the year	454,511	847,211
(Surplus) or deficit on revaluation of fixed assets	-195,595	156,294
Actuarial (gains) or losses on pension fund assets and liabilities	-709,000	-1,893,000
Any other recognised (Gains)/Losses	-643,862	-38,797
	-1,093,946	-928,292
Total recognised (gains)/losses for the year	-1,093,946	-928,292

GROUP BALANCE SHEET AS AT 31 MARCH 2008
--

		2007/2008			2006/2007
		£	£	£	£
Assets	Fixed assets				
	Operational				
	Community		513,854		462,564
	Infrastructure		410,917		406,187
	Land and buildings		11,046,740		10,393,884
	Vehicles		102,565		133,979
	Equipment		687,905		949,245
	Intangible		94,673		87,407
	Non-operational		1,792,446		1,510,299
			<u>14,649,100</u>		<u>13,943,565</u>
	Long Term Investments		2,095,506		48,836
	Long-term debtors		<u>126,745</u>		<u>199,960</u>
	Total long-term assets			16,871,351	14,192,361
	Current assets				
	stocks and work in progress			68,591	55,237
debtors	3,378,940			3,332,461	
bad debt provisions	-1,022,331	2,356,609		-1,010,670	
investments		<u>9,620,337</u>		<u>8,078,519</u>	
			12,045,537	10,455,547	
Liabilities	Current liabilities				
	creditors		-2,742,191		-2,279,527
	short term borrowing		-1,000,760		0
	section 106 agreements		-2,397,236		-1,418,038
	receipts in advance		-786,837		-103,239
	cash overdrawn		<u>-744,689</u>		<u>-574,027</u>
				-7,671,713	-4,374,831
	Total assets less current liabilities			21,245,175	20,273,077
	Provisions		-127,496		-123,023
	Long term borrowing		-1,011,344		0
	Capital contributions unapplied		-564,887		-1,099,552
	Defined benefit pension scheme liability		<u>-5,622,000</u>		<u>-6,225,000</u>
				-7,325,727	-7,447,575
	Total assets less liabilities			13,919,448	12,825,502
	Balances & Reserves	Revaluation reserve		-195,595	
Capital adjustment account			-14,726,067		-14,208,447
Financial instruments adjustment account			-20,000		0
Useable capital receipts reserve			-1,910,555		-2,918,199
Pensions reserve			5,622,000		6,225,000
Deferred credits			-175,440		-235,536
Earmarked reserves			-426,634		-296,613
Balances:					
- general fund			-1,626,263		-1,579,947
- collection fund			-533,553		116,310
- (profit)/loss on group entity			72,659		71,930
Group Balances and Reserves				-13,919,448	-12,825,502
Minority Interests				0	0
Total equity				<u>-13,919,448</u>	<u>-12,825,502</u>

GROUP CASH FLOW STATEMENT 2007/2008

	2007/2008		2006/2007
	£	£	£
Net Cash Inflow from Revenue Activities		-2,246,256	-57,345
<u>Returns on Investments and Servicing of Finance</u>			
- Interest paid	26,841		4,131
- Interest received	-887,650		-597,309
		-860,809	-593,178
Taxation		1,723	2,010
<u>Capital Expenditure and Financial Investment</u>			
- Purchase of fixed assets	1,295,903		1,254,307
- Purchase of long term investments	2,017,515		220,588
- Sale of fixed assets	-121,147		-414,743
- Capital grants received	-275,528		-382,929
- Other capital cash received	-62,880		-49,751
- Other capital cash payments	997,574		1,100,265
		3,851,437	1,727,737
NET CASH INFLOW BEFORE FINANCING		746,095	1,079,224
Net increase/(decrease) in short term deposits	1,424,568		-438,716
Repayments of amounts borrowed/New loans raised	-2,000,000		0
		-575,432	
NET (INCREASE)/DECREASE IN CASH		170,663	640,508
Reconciliation of group surplus to net cash flow			
		£	£
Deficit/(Surplus) from Income & Expenditure Account	454,511		847,211
Deficit/(Surplus) from Collection Fund	-649,863		-118,148
			729,063
NON-CASH TRANSACTIONS			
depreciation/impairment	-770,060		-722,579
movement on provisions	-4,472		138,026
written down of deferred charges	-743,502		-714,736
FRS17 adjustment	-106,000		-433,000
gain/(loss) on disposal of fixed assets	94,022		379,609
		-1,530,012	-1,352,680
ITEMS ON AN ACCRUAL BASIS			
increase/(decrease) in stocks	13,354		17,770
add: decrease in debtors/investment interest accrued	-13,113		-44,369
less: increase in debtors/investment interest accrued	102,333		266,420
add: increase in creditors/borrowing interest accrued	-1,610,252		-296,864
less: decrease in creditors/borrowing interest accrued	125,970		30,137
		-1,381,708	-26,906
ITEMS CLASSIFIED IN ANOTHER CLASSIFICATION IN THE CASH FLOW STATEMENT			
less: investment income (net)	860,816		593,178
		860,816	593,178
Net cash flow from revenue activities		-2,246,256	-57,345

GLOSSARY OF TERMS

Actuarial Gains & Losses	For a defined pension benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation or the actuarial assumptions have changed.
Balances	Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied, at the discretion of the Council, to reduce future demands on the Collection Fund or to meet unexpected costs. Balances on holding accounts and provisions are available to meet expenditure in future years without having an adverse effect on revenue expenditure.
Budget	A statement of the Council's income and expenditure plan over a specified period, for example the annual revenue budget which, besides being expressed in financial terms, may include other physical data, e.g. manpower resources.
Capital Charges	Charges made to revenue accounts as part of the running costs of each service to reflect the value of the fixed assets used in providing the service.
Capital Expenditure	Money spent on providing assets of long-term value, e.g. land, buildings and equipment, or on making grants towards such expenditure.
Capital Financing	A global term covering the sources of money to pay for capital spending, e.g. borrowing, sales of fixed assets, grants, developers' contributions, leasing, and revenue monies.
Capital Receipts	Money raised from the sale of fixed assets, e.g. land. Some other receipts, e.g. Housing Association Grant (HAG), and some loan repayments have to be treated as capital receipts.
Community Assets	Fixed assets that the Council intends to hold in perpetuity which have no determinable useful life and which will often have restrictions on their disposal, e.g. parks or historic buildings.
Current Assets	The day-to-day working assets of the Council, e.g. stores, cash, bank balances, and debtors.
Current Liabilities	Amounts which will or could become payable in the immediate future, e.g. unpaid bills ("creditors"), bank overdrafts.
Current Service Cost	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
Deferred Charges	Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets.
Defined Benefit Scheme	A pension scheme that defines the benefits independently of the contributions payable
Depreciation	The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
General Fund	The main revenue account of the Council. All the running costs and related income pass through this Fund.
Government Grants	Grants made by central government towards Council spending. They may be specific e.g. housing benefit subsidy, or general e.g. revenue support grant.
Housing Advances	Sometimes referred to as Housing Act Advances, or HAA. These are loans made to individuals by the Council towards the cost of acquiring or improving their homes.

GLOSSARY OF TERMS

Housing Benefit	A social security benefit administered by the Council which is intended to help claimants to meet their rent liability.
Impairment	The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the Balance Sheet.
Infrastructure Assets	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset. An example would be footpaths
Interest Cost	For a defined pension benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Minimum Revenue Provision	The minimum amount which must be charged to the authority's revenue accounts each year and set aside for debt repayment as required by the Local Government and Housing Act 1989.
Multiplier	The term used in relation to business rates to describe the number of pence in the pound (set by central government) to be multiplied by the rateable value of a property to work out the amount due.
Past Service Cost	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Precepts	The levy made on a billing authority by a Precepting Authority, requiring collection of income from council taxpayers on their behalf.
Precepting Authority	Those authorities that are not Billing Authorities ie. do not collect council tax and non domestic rate. County Councils are "major precepting authorities" and parish, community and town councils are "local precepting authorities".
PWLB	The Public Works Loan Board is a central government agency which provides long and short term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.
Reserves	Money held for some broadly specific purpose, e.g. contingencies, but in respect of which no specific commitment has been made.
Revenue Expenditure	Recurring expenditure on day-to-day expenses e.g. employees, running costs of buildings and equipment. Any spending which is not capital expenditure. Sometimes called current expenditure.
Revenue Support Grant	The main annual grant paid by central government. It is intended to meet a proportion of the total local authority expenditure considered by Government to be necessary to provide a standard level of service throughout the country.
Scheme Liabilities	The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.
Total Cost	The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

