CAMBRIDGESHIRE COUNTY COUNCIL
STATEMENT OF ACCOUNTS
AND
ANNUAL GOVERNANCE STATEMENT
2016-17

cambridgeshire.gov.uk

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Cambridgeshire County Council

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INTRODUCTION

This document presents the statutory financial statements for Cambridgeshire County Council (the Council) for the period 1 April 2016 to 31 March 2017 and provides a comprehensive summary of the overall financial position of the Council giving a true and fair view.

The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the Code). Our core financial statements use this format and meet the conditions of the Code.

This narrative statement provides a summary of the most significant matters reported within the accounts and of the Council's financial position.

OUR VISION AND AMBITION

To achieve our vision we are focussing on achieving a number of outcomes for the people of Cambridgeshire:

- Older people live well independently
- People with disabilities live well independently
- Adults and children at risk of harm are kept safe
- Places that work with children help them to reach their potential
- The Cambridgeshire economy prospers to the benefit of all residents
- People live in a safe environment
- People lead a healthy lifestyle and stay healthy for longer

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These are the outcomes we believe we must be guided by when deciding how we can best meet our vision. It is a huge challenge to deliver these with decreasing resource but one that we are committed to. We are taking a whole Council approach to delivering these outcomes, with all areas of the organisation responsible for their achievement.

In 2016-17 we began to radically transform the way the Council operates beginning with creating an investment fund to support change and re-configuring our corporate services to support our Council wide investment. We have already made over £170m in savings over the last five years. 2017-18 will require us to find a further £30.7m largely due to inflation and demographic pressures as well as falling central government grant. As our resources come under increasing pressure our plans for transforming how we support our citizens will be accelerated.

The Council's Business Plan, approved at the Full Council meeting on 14 February 2017, outlines these priorities in more detail and is available at:
https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans/

OUR PERFORMANCE

The performance of the Council is monitored by the General Purposes Committee using a monthly Integrated Resources and Performance Report, which combines financial reporting with performance reporting. You can view the most recent copies of these reports on our website using the following link to the agendas, minutes and reports of the latest committee meetings:

https://cmis.cambridgeshire.gov.uk/ccc_live/Committees.aspx

Performance against the 2016-17 Business Plan

Significant matters and variances are summarised in this section and supported by the detail included in the statement of the accounts and core financial statements.

Amongst a wider set of Key Performance Indicators (KPIs), sixteen were chosen to represent key measures of success against priorities and were reported on monthly to the General Purposes Committee.

Achievement of the priorities is within the context of the challenging funding position for local authorities. The Council has become more efficient in order to deliver the outcomes it has prioritised and to enable the delivery of the objectives and services that it has planned to deliver within the business plan.

The following table provides a snapshot of the Authority's performance at year end by value and RAG (Red, Amber, Green) status, and was reported to the General Purposes Committee on 13 June 2017.

Cambridgeshire County Council

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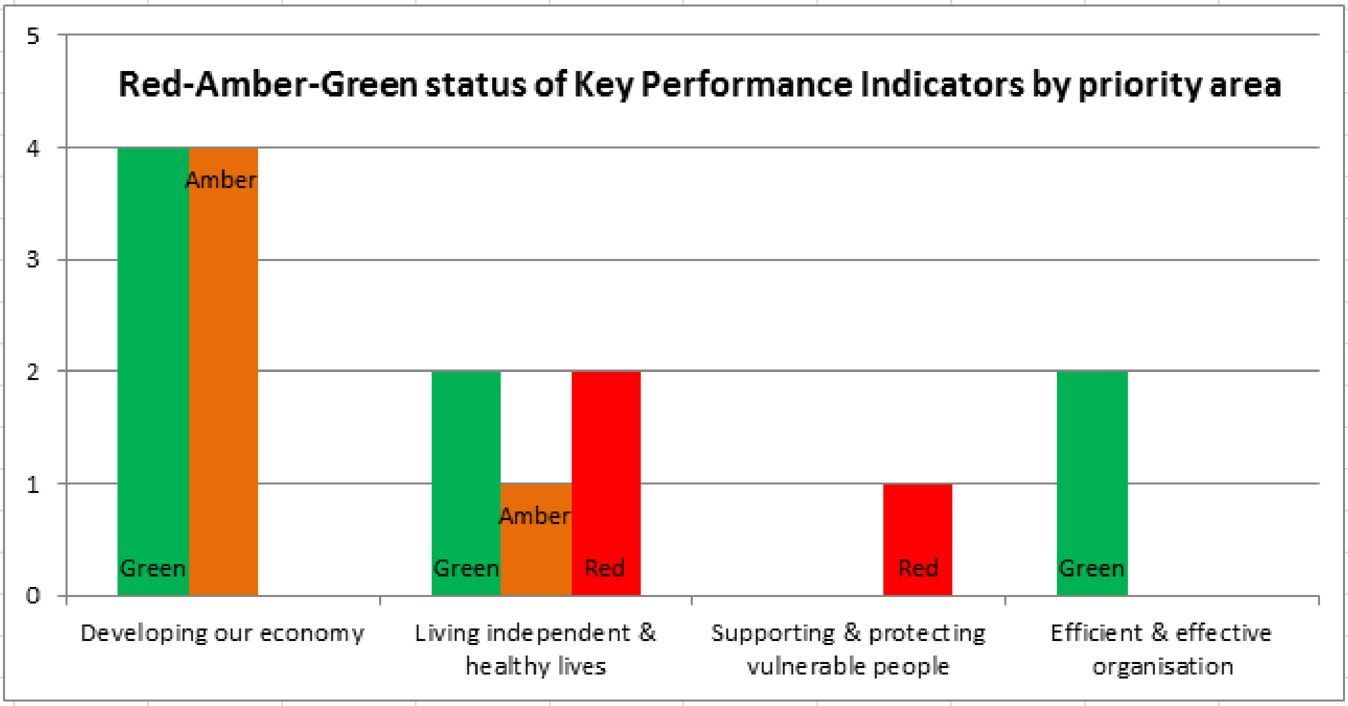
Budget	Area	Measure	Year End Position	Status
£355.4m	Revenue Budget	Variance (£m)	+£0.5m	Amber
-	Basket Key Performance Indicators	Number at target (%)	50% (8 of 16)	Amber
£157.5m	Capital Programme	Variance (£m)	-£5.3m	Green
-	Balance Sheet Health	Net borrowing activity (£m)	£399m	Green

As shown in the table above, two of the three key financial indicators are rated green. However, for the basket of key performance indicators, 8 (50%) have been given a green rating, outlining confidence that the target has been met or will be delivered, with 5 being amber rated, and the remaining 3 being red rated.

The graph below shows the performance against the KPI's for each of the priorities identified for 2016-17.

The business plan outlines the priorities for the next five years, therefore the red and amber rated KPI's will receive appropriate intervention (in partnership with other agencies, where appropriate) to ensure that the KPI (and therefore the priority) is delivered within the medium term.



Cambridgeshire County Council

NARRATIVE REPORT

OVERVIEW OF THE YEAR

1. Revenue spending on services

The Council's net cost of services for 2016-17 was £447.1m. This figure was £91.2m higher than the net expenditure for the year of £355.9m that was reported to the General Purposes Committee within the Outturn Integrated Resources and Performance Report in June 2017. The reason for this is that the Statement of Accounts is prepared on a different accounting basis to those reports presented to members for resource allocation decisions. (The Statement of Accounts takes account of charges for items such as capital expenditure and variations in the accounting for retirement benefits. Tables which summarise these results are shown in note 1.)

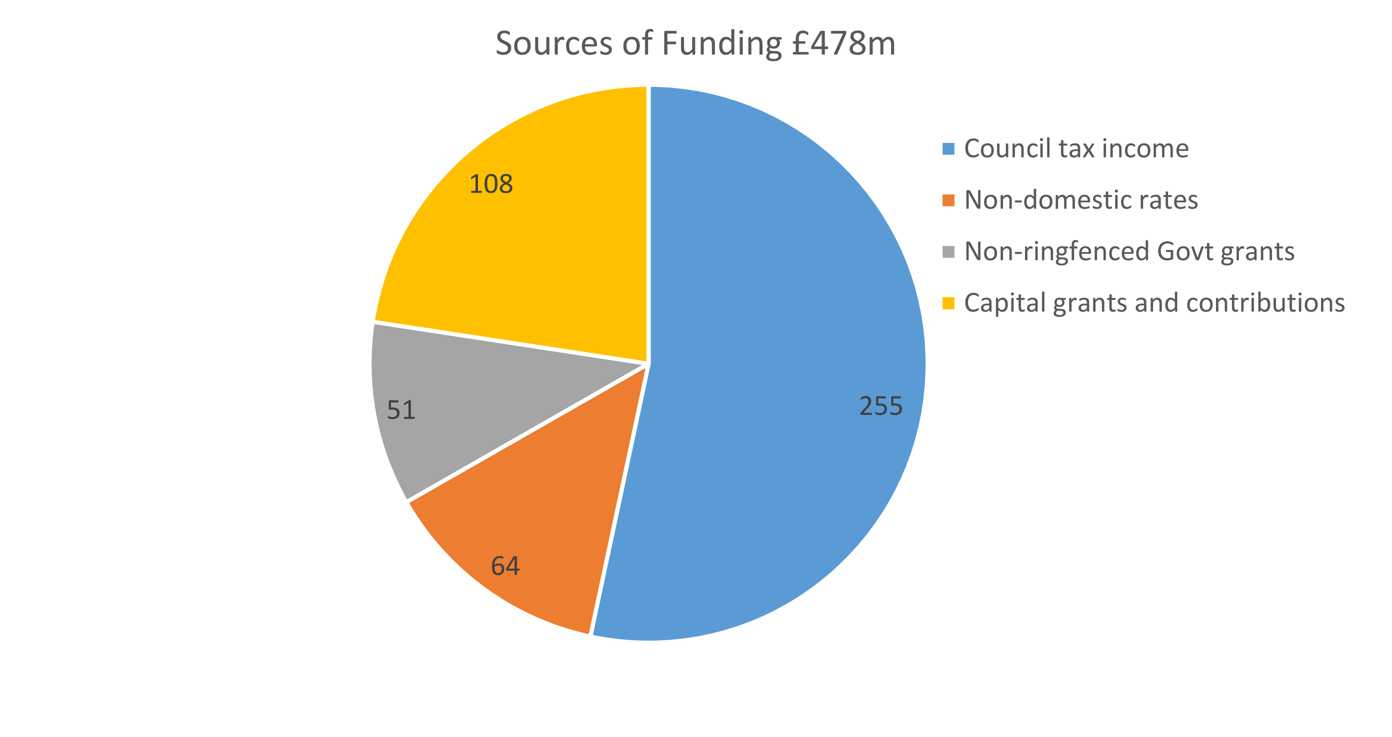
The most significant budget pressures during the year were in Children's, Families & Adults Services, where the year-end overspend was £5m. After offsetting underspends in Adults Services were removed, the pressure in Children's Social Care was £7.8m. At the end of March, the number of children looked after by the Council was at a historically high level causing a financial impact across placement costs, social work activity and legal fees. Plans for this area at the start of the year had been to decrease spend through delivery of major savings plans, so as demand has actually increased significantly, the budgetary position has been particularly exacerbated.

The main favourable variances, which in large part offset the pressures on social care, occurred in the Council's financing, assets and investment activity. Within the financing items, interest rates on capital financing loans were lower than had been budgeted and £1m was received as interest on section 106 income. Additional income was also received through the education services grant, as academy conversions were slower than expected, and through the business rates growth retention pilot. The position on assets was favourable due to additional farms income and lower than expected net costs of the County office estate.

For much of the year, the forecast overspend was between £1.5m and £2m. To reach a final position of £0.5m (0.1%) represents a significant improvement overall and reflects considerable efforts across the Council to reach a more balanced position by year-end. The £0.5m year-end overspend was balanced by drawing on the general fund reserve; the Council restores the general fund reserve to its planned level as part of annual business planning.

The Council's net budget is mainly financed through council tax, business rates and government grant, and totals £478m as shown below:

NARRATIVE REPORT



The Council's gross income also includes specific government grants, charges from fees, income from sales, and partnership funding from other public sector bodies. The scale of this income is outlined in the Comprehensive Income and Expenditure Statement.

2. Capital spending and financing

The Council's adjusted capital budget for the year was £157.5m. Actual capital expenditure financed from capital resources for the year was £152.2m, leaving some £5.3m of the adjusted capital budget unspent (3.4%) at the year end. This was largely due to the timing of spending and does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not occurred as quickly as anticipated. That the overall performance is much closer to budget than previous years is encouraging, and reflects the introduction of a variations budget to account for an expected level of slippage which is inherent within capital projects.

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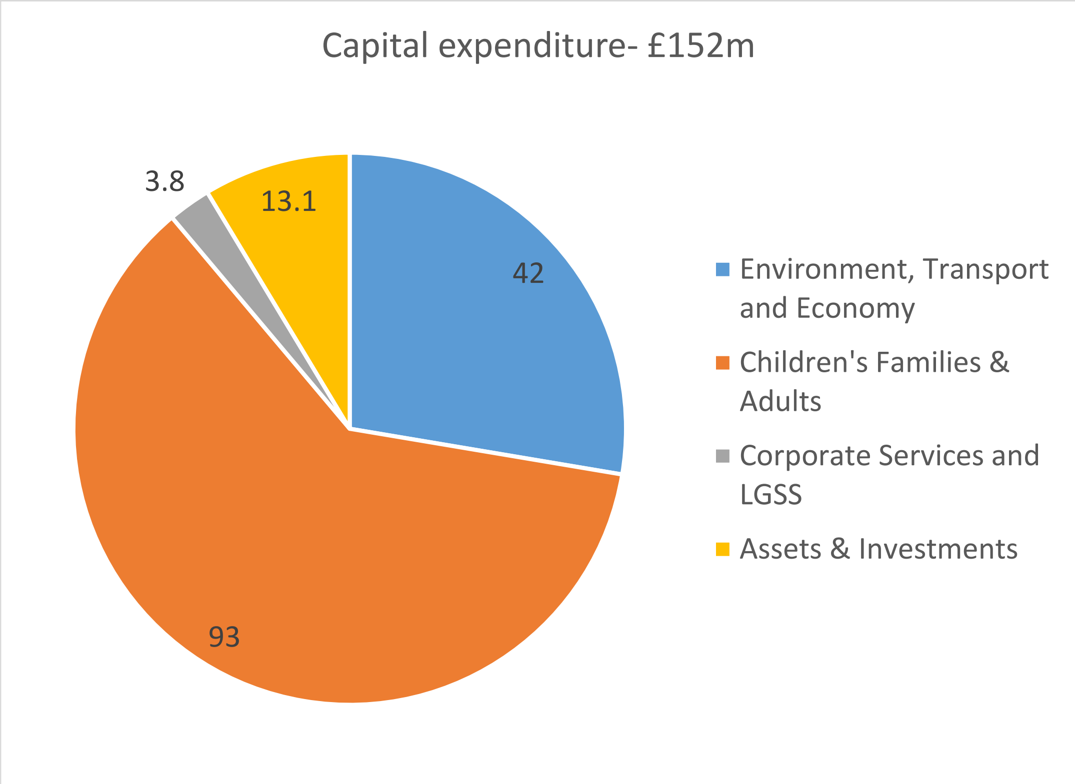
The chart below outlines the £152m investments made during the financial year (in millions of pounds):



The cost of borrowing has been factored into the 2016-17 debt charges outturn position, as well as being accounted for within the 2017-2022 Business Planning process.

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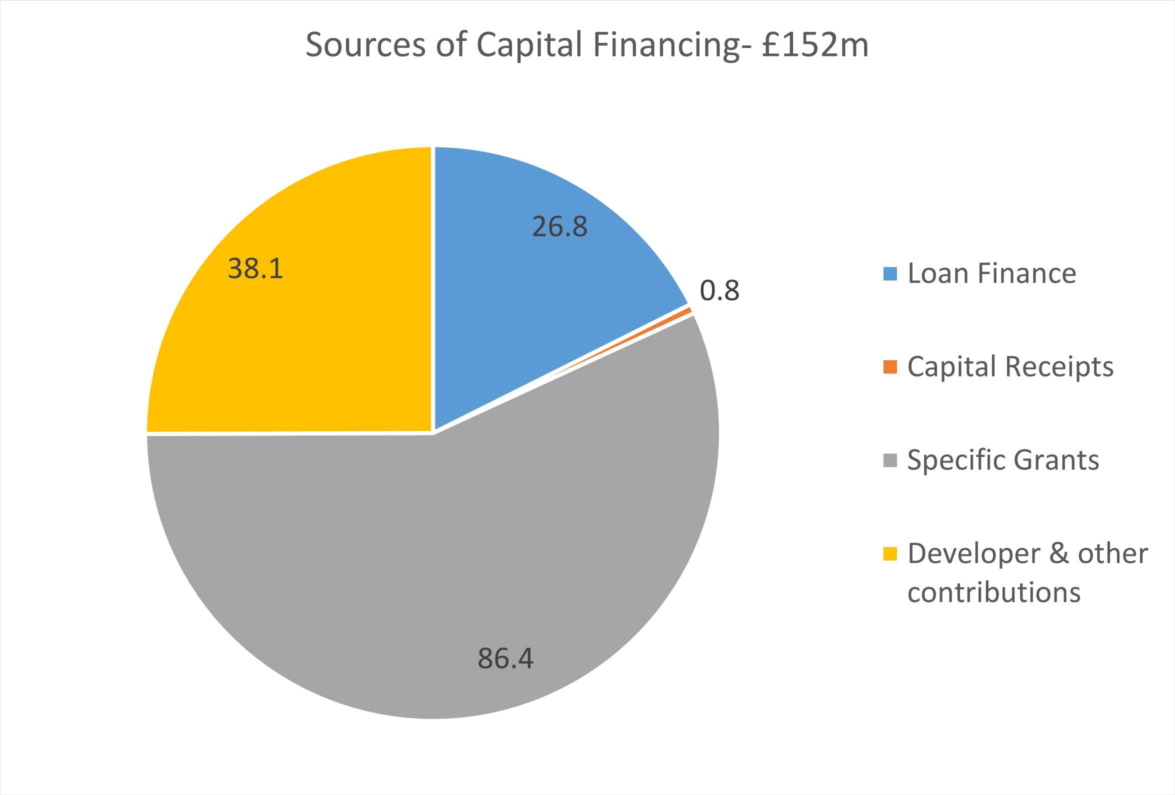
The following chart outlines how the £152m capital expenditure was financed this year (in millions of pounds):



Loan finance is undertaken through borrowing, where the Council subsequently meets interest and repayment costs from its own resources.

3. Reserves

The Council's total reserves have decreased in-year by £30.1m, to £713.8m, by 31 March 2017. This balance comprises £97.8m (14%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £616.0m (86%) of 'unusable' reserves (those that an authority is not able to utilise to provide services). The usable reserves have decreased in-year by £14.8m from £112.6m to £97.8m (see Movement in Reserves Statement and note 25) and the unusable reserves have decreased in-year by £15.3m from £631.3m to £616.0m (see note 26).

A proportion of the Council's usable reserves (specifically the General Fund and Earmarked Reserves) provide the organisation with vital flexibility when faced with uncertainty and risk. At 31 March 2017, these reserves stood at £86.7m. Of this balance, the General Fund comprised £15.8m (3.3% of the net 2016-17 budget) and reserves earmarked for specific purposes totalled £70.9m, including £15.2m under the control of locally managed schools, a £20.5m transformation fund which will be used for proposals to generate further savings in future years, and £3.3m to cover insurance risks.

The following table shows the 'net' change (contribution to and from) in these types of reserves:

General Fund and Earmarked Reserves	£m
Balance at 1st April 2016	85.6
Transformation Fund	8.6
General Fund	(3.1)
Schools Carry Forwards	(5.4)
Other Earmarked Reserves	1.0
Balance at 31st March 2017	86.7

4. Assets and liabilities

The Council's cash and cash equivalents position increased in the year by £27.1m from £1.1m at 31 March 2016 to £28.2m at 31 March 2017. The £28.2m balance at 31 March 2017 reflected the increase in borrowing of £81m, from £359.7m to £440.7m at 31 March 2016. (However, it should be noted that this does not represent the actual balance on the Council's accounts at the bank, but the book balance taking timing differences into account.)

In terms of liabilities, there was a £18.7m reduction in capital grants and contributions receipts in advance from £42.0m at 31 March 2016 to £23.3m at 31 March 2017. This was primarily due to City Deal funding of £17.8m being utilised in the financial year.

During 2016-17, the net assets of the Council, and therefore its Balance Sheet value, decreased by £30.1m (a 4% reduction) from an opening balance of £743.9m to a closing balance of £713.8m at 31 March 2017. The material items which caused this net increase were a £25.2m increase in the net book value of the Council's property assets, in the main due to aforementioned increase in borrowing, partially offset by the £28m increase in cash and cash equivalents. There was also an increase of £30.4m in the estimated pension deficit for the Council, measured on an actuarial basis, from £479m at 1 April 2016 to £510m at 31 March 2017.

5. External borrowing and investment

Total debt outstanding at 31 March 2017 was £440.7m (consisting of £345.3m long term borrowing and £95.4m short term borrowing), which was well within the maximum limit determined in accordance with legislation of £702.5m. There was a net decrease of £11m in long-term loans in the year and a net increase of £92m in short term loans.

Cash surpluses during the year have been invested in accordance with guidance issued by the Government and the Council's agreed Treasury Management Strategy. The primary objective is to ensure that funds are invested prudently, with priority given to security and risk minimisation.

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KEY PROJECTS AND ACTIVITIES

Academy Conversions

Since 2010 Central Government has promoted academy schools which have greater autonomy and receive their funding directly from Central Government rather than through the local authority.

As at 31 March 2017, a total of 90 schools had either opened as academies (including free schools) or converted to academy status. This is an increase of 14 conversions (plus 2 new schools) on the numbers a year ago. There are now 154 primaries, 5 special schools, 5 nurseries, and 1 secondary school in Cambridgeshire which are maintained by the local authority.

Academies produce their own financial statements and this means a sizeable proportion of school spending, assets and workforce information in the Cambridgeshire area is no longer reported as part of the Council's accounts.

Connecting Cambridgeshire

Connecting Cambridgeshire is improving the County's fixed and mobile broadband infrastructure, whilst supporting online skills, business growth and technological innovation to meet future digital challenges.

In March 2017, the Council approved the Cambridgeshire digital connectivity blueprint for 2017-2020 with associated targets for broadband access, mobile coverage and public Wi-Fi access.

connecting CAMBRIDGESHIRE
Superfast broadband across Cambridgeshire & Peterborough

Cambridge North Station

Opened in May 2017, this new railway station serves the north of Cambridge with direct trains to London, Ely, Peterborough and Norwich.

Following the Council's lead on the development phase of the project, Network Rail and the Department for Transport took responsibility for the delivery phase of the scheme. With government funding, the Council has led on access works including the extension of the Busway as well as cycle and footway links.

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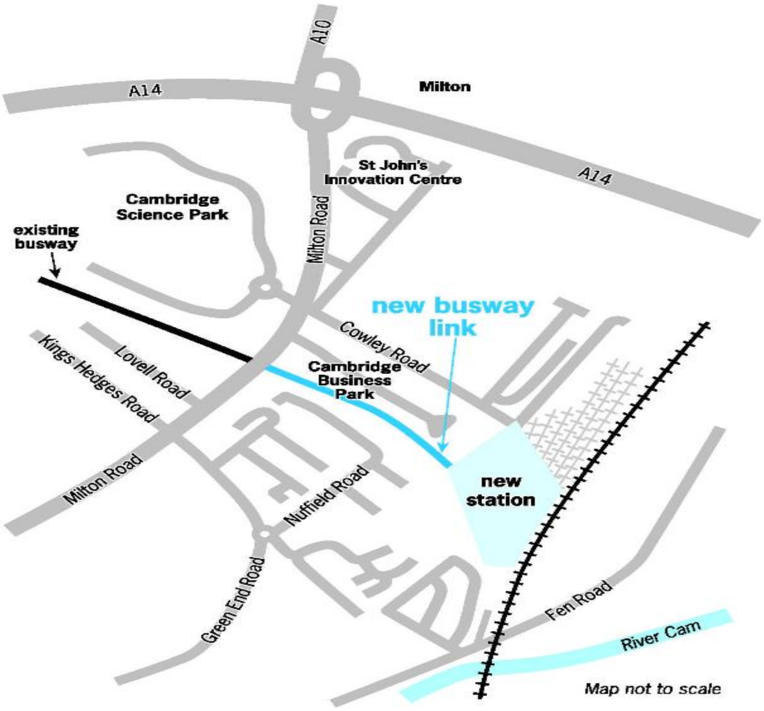

Cambridge City Deal

Signed in June 2014, the Greater Cambridge City Deal is a partnership arrangement between the County Council, Cambridge City Council, South Cambridgeshire District Council, the Greater Cambridge, Greater Peterborough Local Enterprise Partnership and the University of Cambridge. It aims to enable a new wave of innovation-led growth in Cambridge and South Cambridgeshire ("Greater Cambridge") by investing in the infrastructure, housing and skills that will facilitate the continued growth of the Cambridge phenomenon. It acknowledges the city-region's strong track record of delivering growth and seeks to support existing and new businesses in achieving their full potential. The deal agreed between Greater Cambridge and Government allows Greater Cambridge to maintain and grow its status as a prosperous economic area.

The City Deal represents a step change in the ability of local partners to deliver the infrastructure necessary to support the area's ambitious growth plans. Greater Cambridge will receive a confirmed £100 million from Government for infrastructure investment up to 2019-20. This scale of investment will enable a strategy that enhances the transport network to link areas of population and employment within the city-region, through high quality public transport, cycling and pedestrian improvements. It will transform connectivity within Greater Cambridge and around the wider county and Local Enterprise Partnership area. Depending on the economic impact of local investments, Greater Cambridge will be able to access up to an additional £400 million over the following 10 years, in two tranches of £200 million. This complements and sits alongside existing capital expenditure plans in the area.

For further details please visit http://www.gccitydeal.co.uk/

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Commercial, Assets and Investments

At the full Council meeting on 10th May 2016, Members approved a change to the Council's Constitution to establish an Assets and Investment Committee to deliver effective governance and management of the Council's property and asset portfolio.

This is driven by a number of major programmes that are supporting the delivery of the Council's overall objectives.

Cambridgeshire Housing Investment Company (CHIC)

One of the key priorities for the newly formed Committee was housing investment, leading to the incorporation of a company wholly owned by the Council (CHIC) in June 2016.

CCC is in the fortunate position of continuing to be a major landowner in Cambridgeshire. In view of the buoyant economic conditions for housing development, the company will enable the Council to develop its own land rather than sell it for straightforward capital receipts. The company is working on the ambition to develop an initial 10-year pipeline of sites, including the delivery of 2,000 residential units.

Cambridgeshire and Peterborough Combined Authority

The Cambridgeshire and Peterborough Combined Authority was constituted in March 2017. The authority is made up of representatives of the seven local Councils in Cambridgeshire and Peterborough along with the Local Enterprise Partnership and is led by a Mayor, directly elected for the first time in May 2017. As part of a devolution deal with government, the responsibilities of the Combined Authority include local economic growth, housing, transport and infrastructure improvements and adult skills. There are no financial or accounting implications that affect the Council's accounts for 2016-17.

Pensions

The accounts reflect the underlying commitment that the Council has to pay future retirement benefits for its employees. This information has been compiled by the Fund's actuary in accordance with the International Accounting Standard 19 Employee Benefits (IAS 19 (Revised 2011)).

The estimated pension deficit for the Council, measured on an actuarial basis, has increased from £479m at 1 April 2016 to £510m at 31 March 2017. The fair value of plan assets increased during 2016-17; however this has been more than offset by a greater increase in the value of the Fund's liabilities. Overall this has resulted in a £31m increase in the deficit amount (see note 39).

LGSS Summary

LGSS is the shared back office operation with three partners – Milton Keynes Council (MKC), Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC). LGSS began in October 2010 with MKC joining as a third Partner from 1 April 2016. LGSS provides a wide range of strategic, professional, operational and transactional services including finance, pensions, legal, procurement, audit, HR, IT and transactional financial services.

It is governed by a Joint Committee with the financial transactions of each shareholder county included in the respective county's statutory accounts.

The LGSS overall performance for 2016-17 is summarised below:

	2016-17 Budget £000	2016-17 Expenditure £000	2016-17 Variance £000
LGSS Total	**32,136**	**31,564**	**(572)**

All surpluses and deficits, after any retained earnings re-invested by LGSS, are shared on a 33.3% arrangement via a dividend to each of the host authorities.

LGSS

Workforce Profile

The Council is an equal opportunities employer and promotes fairness to all. For further information please see the Workforce Profile which is available at the following link:

https://www.cambridgeshire.gov.uk/council/communities-&-localism/equality-and-diversity/

THE STATEMENT OF ACCOUNTS

The purpose of these accounts is to present a true and fair view of the financial results of the Council's activities for the year ended 31 March 2017, and to summarise the overall financial position of the Council as at 31 March 2017. This section provides an overview of the financial performance of the Council.

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2016-17. The various sections, and their contents, are as follows:

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Independent Auditors' Report to Members (page 20)

This reports the independent auditors' opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Council, its income, expenditure and cash flows for the year, the financial transactions of the Pension Fund, the amount and disposition of the Fund's assets and liabilities (other than liabilities to pay pensions), and other benefits that will arise after the end of the year.

Statement of Responsibilities, Certificate and Approval of Accounts (page 21)

This statement sets out the responsibilities of the Council and the Chief Finance Officer of the Council regarding the proper administration of the Council's finances.

Comprehensive Income and Expenditure Statement (page 23)

This Statement is fundamental to the understanding of the Council's activities as it reports the net cost for the year of all of the functions for which the Council is responsible. It also demonstrates how that cost has been financed from general government grants and income from local taxpayers. The presentation of this statement has changed in 2016-17, due to a change within the CIPFA Code, so the cost of services is now displayed based upon the Council's directorate structure.

The net cost of services for 2016-17 across the Council's directorates was £447.1m. After taking into consideration other operating expenditure, financing and investment income/expenditure, grant income, and income from taxation (Council Tax and Business Rates), the Council's deficit on the provision of services was £94.6m.

Movement in Reserves Statement (page 24)

This statement shows the movement in the year on the different reserves held by the Council. The reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The 'surplus or (deficit) on provision of services' is included within the Total Comprehensive Income and Expenditure line, and shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting purposes.

The headline figures from this statement are that the Council's General Fund and earmarked reserves have increased overall by £1.1m in 2016-17. The balance in the Capital Grants Unapplied Reserve has decreased by £17m due to the net effects of income received in year, reclassifications and the funding of capital expenditure in 2016-17.

The primary movement within unusable reserves has been on the Pensions Reserve. The deficit on this reserve has increased by £31m to £510m, based upon the actuary's latest assessment of the value of the Pension Scheme.

Balance Sheet (page 25)

The Balance Sheet presents the value of the Council's current and non-current assets and liabilities recognised by the Council as at 31st March 2017 with the bottom line effectively being the net worth of the organisation. The net assets of the Council (assets less liabilities) are matched by the level of 'usable' and 'unusable' reserves held. Usable reserves are those resources that the Council may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. Unusable reserves include those that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences as shown by the 'adjustments between accounting basis and funding basis under regulations' line in the Movement in Reserves Statement.

The largest movement on the balance sheet has been in Short Term Borrowings which has increased by £92m during 2016-17 to a liability of £95.4m. This in line with the Council's Treasury Management Strategy to restructure the loan portfolio from high interest long term borrowings to low interest short term borrowings.

Cash Flow Statement (page 26)

This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. It outlines the changes in the cash and cash equivalents, for example changes in debtor balances (those owing the Council money) and creditor balances (those which the Council owes money to) during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The headline figures from this statement are that during 2016-17 the Council's cash and cash equivalents increased by £27.1m from £1.1m as at 31st March 2016 to £28.2m as at 31st March 2017. Cash flows from the Council's investing activities included receipt of £107.3m of capital grants. Purchases of property, plant and equipment were £114.9m. Cash flows from the Council's financing activities included cash receipts of short term and long term borrowing of £173.5m, and repayments of short term and long term borrowing of £92.5m.

Borrowing and investments were made in accordance with the Council's published Treasury Management Strategy.

Expenditure and Funding Analysis (page 27)

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The net expenditure chargeable to the Council's General Fund is £3.1m, with a £4.2m net increase to earmarked reserves. This differs from the income and expenditure shown in the CIES by £95.7m. This difference comprises a number of technical accounting adjustments which the Council is required to make by the Code, including capital charges such as depreciation, actuarial pensions adjustments and adjustments to the Collection Fund. A reconciliation of these adjustments is shown in note 1 to the accounts.

Notes to the core financial statements (page 28)

The notes to the financial statements are essential in the presentation of a true and fair view for the accounts. They present information about the basis of preparation of the financial statements and the specific accounting policies used; explain how transactions have been accounted for; and provide information that is not provided elsewhere in the financial statements, but is relevant to an understanding of them.

Pension Fund accounts (page 114)

The objective of the Pension Fund financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. The statements show the results of the stewardship of management; the accountability of management for the resources entrusted to it, and of the disposition of its assets at the year end. The Council administers this Fund on behalf of all local authorities in Cambridgeshire, plus a number of other public and voluntary bodies, and commercial organisations.

RISK MANAGEMENT AND ARRANGEMENTS FOR VALUE FOR MONEY

The Council has developed a range of integrated approaches and organisational processes which together help to drive risk management and value for money.

Members exercise strategic leadership by developing the Council's vision and priorities and keeping these under-review. There is an established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources. The Annual Governance Statement, later in these accounts sets out the Council's wider approach to risk management.

The Council's Scheme of Financial Management sets out the internal regulatory framework for financial control, procurement compliance and resource distribution. Following the agreement of the budget by Members, savings delivery is closely monitored through a "tracker methodology" alongside monthly reporting to Council Committees.

FUTURE CHALLENGES AND MEDIUM TERM OUTLOOK

Cambridgeshire is one of only ten Councils who have not accepted the government's multi-year funding settlement, this adds a further level of uncertainty regarding how any changes to government funding will be applied.

Looking forward, cost pressures are forecast to outstrip available resources. Cambridgeshire is the fastest growing county in England. These demographic pressures combine with rising costs caused by inflation, including the rising national living wage and reducing levels of funding as part of a medium

NARRATIVE REPORT

term economic outlook which is uncertain. Consequently, the Council needs to make significant savings to close the budget gap.

The following table illustrates the current size of the challenge that lies ahead (as presented to Council on the 14 February 2017), as it sets out the latest annual savings requirement:

	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	Total £000
Total Savings Requirement For The Year	**31,795**	**25,441**	**16,713**	**22,256**	**6,871**	**103,076**
2017-18 Ongoing Savings		31,795	31,795	31,795	31,795	
2018-19 Ongoing Savings			25,441	25,441	25,441	
2019-20 Ongoing Savings				16,713	16,713	
2020-2021 Ongoing Savings					22,256	
Total Savings For The Year (Including Ongoing Savings)	**31,795**	**57,236**	**73,949**	**96,205**	**103,076**	

CONCLUSION

I am extremely grateful to all the finance staff across the Council, and for those within service directorates, for the support and enthusiasm that they have brought to the many and challenging tasks they have faced, and who have worked hard to close the accounts to a demanding timescale.

Chris Malyon
Deputy Chief Executive and Chief Finance Officer (Section 151 Officer)

FURTHER INFORMATION

Further information about the Statement of Accounts can be obtained from the Council's website or Corporate Finance:

Address: OCT1114, Shire Hall,
Cambridge,
CB3 0AP

Telephone: 0345 045 5200
Email: LGSS.finance@cambridgeshire.gov.uk
Web: Statement of Accounts

INDEPENDENT AUDITORS' REPORT

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Cambridgeshire County Council

STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Approve the Statement of Accounts;
- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer (Section 151 Officer);
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Chief Finance Officer also has to have:

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

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year 2016-17, and authorise the accounts for issue.

Chris Malyon
Chief Finance Officer
Date: 30th June 2017

Cambridgeshire County Council

STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

APPROVAL OF ACCOUNTS

I confirm that these accounts were approved by the Council at the meeting of the Audit and Accounts Committee held on 19th September 2017.

Signed on behalf of
Cambridgeshire County Council:

Cllr. Michael Shellens
Chairman of the Audit and Accounts Committee
Date:

Cambridgeshire County Council

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated[1] 2015-16 Gross Expenditure £000	Gross Income £000	Net Expenditure/ Income (-) £000		2016-17 Gross Expenditure £000	Gross Income £000	Net Expenditure/ Income (-) £000
121,187	-38,263	**82,924**	Economy, Transport and Environment	115,274	-28,908	**86,366**
702,749	-397,077	**305,672**	Children, Families and Adults	709,798	-381,757	**328,041**
17,017	-16,942	**75**	Public Health	21,301	-21,027	**274**
-3,267	-1,336	**-4,603**	Corporate Services	12,147	-696	**11,451**
5,633	-1,701	**3,932**	LGSS Managed	8,127	-1,630	**6,497**
23,999	-9,938	**14,061**	Assets & Investments	12,513	-7,390	**5,123**
23,285	-13,194	**10,091**	LGSS Operational	22,049	-12,699	**9,350**
890,603	**-478,451**	**412,152**	**Cost Of Services**	**901,209**	**-454,107**	**447,102**
59,570	-	**59,570**	Other operating expenditure (note 10)	88,668	0	**88,668**
43,389	-544	**42,845**	Financing and investment income/ expenditure (note 11)	43,121	-6,749	**36,372**
-	-431,941	**-431,941**	Taxation and Non-Specific Grant Income (note 12)	0	-477,549	**-477,549**
		82,625	**Surplus (-) or Deficit on Provision of Services**			**94,593**
		-72,986	Surplus on revaluation of long-term assets			**-101,748**
		4,024	Impairment and revaluation losses charged to the Revaluation Reserve			**28,819**
		-99,262	Remeasurement of net defined benefit/ liability			**8,478**
		-168,224	**Other Comprehensive Income and Expenditure**			**-64,451**
		-85,599	**Total Comprehensive Income (-) and Expenditure**			**30,142**

[1]The prior year Comprehensive Income and Expenditure Statement has been restated according to the CIPFA Code.

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

Cambridgeshire County Council

MOVEMENT IN RESERVES STATEMENT

	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves Total £000	Unusable Reserves Total £000	Reserves Total £000
Balance at 1-Apr-15	**70,649**	**1,439**	**15,850**	**87,938**	**570,387**	**658,325**
Movement in 2015-16:						
Total comprehensive income and expenditure	-82,625	-	-	**-82,625**	**168,224**	**85,599**
Adjustments between accounting and funding basis under regulations (note 8)	97,573	-1,439	11,140	**107,274**	**-107,274**	**-**
Increase/ decrease (-) in 2015-16	**14,948**	**-1,439**	**11,140**	**26,649**	**60,950**	**85,599**
Balance at 31-Mar-16	**85,597**	**0**	**26,990**	**112,587**	**631,337**	**743,924**
Movement in 2016-17:						
Total comprehensive income and expenditure	-94,593	0	0	**-94,593**	**64,451**	**-30,142**
Adjustments between accounting and funding basis under regulations (note 8)	95,701	1,116	-17,033	**79,784**	**-79,784**	**0**
Increase/ decrease (-) in 2016-17	**1,108**	**1,116**	**-17,033**	**-14,809**	**-15,333**	**-30,142**
Balance at 31-Mar-17	**86,705**	**1,116**	**9,957**	**97,778**	**616,004**	**713,782**

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. The Statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Cambridgeshire County Council

BALANCE SHEET AS AT 31 MARCH 2017

Restated [1]31-Mar-16 £000		Note	31-Mar-17 £000
1,761,452	Property, Plant and Equipment	13	**1,779,704**
20,717	Heritage Assets	14	**20,705**
2,658	Investment Property	17	**7,222**
0	Intangible Assets		**258**
400	Long Term Investments		**400**
25,598	Long Term Debtors	15	**31,370**
1,810,825	**Long Term Assets**		**1,839,658**
0	Investments		**0**
614	Assets Held for Sale	21	**3,531**
951	Inventories		**924**
53,593	Short Term Debtors	19	**82,626**
1,064	Cash and Cash Equivalents	20	**28,173**
56,221	**Current Assets**		**115,253**
0	Cash and Cash Equivalents	20	**0**
-3,428	Short Term Borrowing	16	**-95,399**
-95,066	Short Term Creditors	22	**-127,394**
-5,657	Provisions	23	**-4,013**
-14,169	Capital Grants and Contributions Receipts in Advance	34	**-6,829**
-118,320	**Current Liabilities**		**-233,635**
-6,215	Provisions	23	**-5,682**
-356,305	Long Term Borrowing	16	**-345,298**
-600,257	Other Long Term Liabilities	24	**-633,190**
-42,024	Capital Grants and Contributions Receipts in Advance	34	**-23,326**
-1,004,802	**Long Term Liabilities**		**-1,007,495**
743,924	**Net Assets**		**713,782**
112,587	Usable Reserves	25	**97,778**
631,337	Unusable Reserves	26	**616,004**
743,924	**Total Reserves**		**713,782**

[1]Restated for prior period adjustments to Long Term Provisions (Note 23) and Short Term Creditors (Note 22)

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the level of reserves held by the Council. 'Usable' reserves are those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). 'Unusable' reserves are those that are not able to be used to provide services and include those that hold unrealised gains and losses (i.e. Revaluation Reserve), where amounts only become available to use if assets are sold; and reserves that hold timing differences. The notes on pages 28 to 113 form part of the financial statements.

Chris Malyon (Chief Finance Officer) Date:

Cambridgeshire County Council

CASH FLOW STATEMENT

2015-16 £000		2016-17 £000
82,625	**Net deficit on the provision of services**	**94,592**
-39,389	Depreciation	-37,800
-26,017	Impairment and downward valuations	-39,145
450	Movement in impairment for bad debts	-25
20,222	Increase (-)/ decrease in creditors	-32,328
10,094	Increase/ decrease (-) in debtors	34,830
280	Increase/ decrease (-) in inventories	-26
-19,444	Movement in pension liability	-21,952
-85,213	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-89,052
635	Other non-cash items charged to the deficit on the provision of services	6,488
-138,382	**Adjustments to the net deficit on the provision of services for non-cash movements:**	**-179,009**
26,018	Proceeds from the sale of property, plant and equipment	766
-90,818	Grants for financing capital expenditure	-81,221
-64,800	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**-80,456**
-120,557	**Net cash flows from Operating Activities**	**-164,872**
107,474	Purchase of property, plant and equipment	114,944
750	Purchase of short-term and long-term investments	0
-400	Proceeds from short-term and long-term investments	0
-26,018	Proceeds from the sale of property, plant and equipment	-766
61,769	Capital Grants Received	107,259
143,575	**Investing Activities**	**221,438**
-31,626	Cash receipts of short and long-term borrowing	-173,476
0	Other receipts from financing activities	0
-9,633	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	-2,712
54,641	Repayments of short and long-term borrowing	92,512
13,381	**Financing Activities**	**-83,675**
36,398	**Net increase (-)/ decrease in cash and cash equivalents**	**-27,110**
37,462	Cash and cash equivalents at the beginning of the reporting year	1,064
1,064	**Cash and cash equivalents at the end of the reporting year (note 20)**	**28,173**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of local taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Cambridgeshire County Council

EXPENDITURE AND FUNDING ANALYSIS

2015-16 Net Expenditure Chargeable to the General Fund £000	2015-16 Adjustments between Funding and Accounting Basis £000	2015-16 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2016-17 Net Expenditure Chargeable to the General Fund £000	2016-17 Adjustments between Funding and Accounting Basis £000	2016-17 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
64,190	18,734	82,924	Economy, Transport and Environment	62,189	24,177	86,366
244,094	61,578	305,672	Children, Families and Adults	255,645	72,396	328,041
-	75	75	Public Health	245	29	274
5,574	-10,177	-4,603	Corporate Services	8,021	3,430	11,451
3,789	143	3,932	LGSS Managed	3,985	2,512	6,497
6,107	7,954	14,061	Assets & Investments	3,212	1,911	5,123
8,400	1,691	10,091	LGSS Operational	8,968	382	9,350
332,154	**79,998**	**412,152**	**Net cost of services**	**342,263**	**104,839**	**447,102**
-347,102	17,575	-329,527	Other income and expenditure	-343,372	-9,137	-352,509
-14,948	**97,573**	**82,625**	**(Surplus) or Deficit**	**-1,108**	**95,701**	**94,593**
-70,649			Opening General Fund Balance at 31 March	-85,597		
-14,948			Less (Surplus)/Plus Deficit on General Fund Balance in Year	-1,108		
-85,597			**Closing General Fund Balance at 31 March**	**-86,705**		

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	Adjustments between Funding and Accounting Basis 2016-17			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes £000**	**Net change for the Pensions Adjustments £000**	**Other Differences £000**	**Total Adjustments £000**
Economy, Transport and Environment	23,797	389	-9	**24,177**
Children, Families and Adults	72,795	1,663	-2,062	**72,396**
Public Health	0	30	-1	**29**
Corporate Services	1,020	2,413	-2	**3,430**
LGSS Managed	2,508	5	0	**2,512**
Assets & Investments	1,880	32	-1	**1,911**
LGSS Operational	0	389	-7	**382**
Net cost of services	**102,000**	**4,921**	**-2,082**	**104,839**
Other income and expenditure from the Expenditure and Funding Analysis	-22,348	17,031	-3,820	**-9,137**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**79,652**	**21,952**	**-5,902**	**95,701**

	Adjustments between Funding and Accounting Basis 2015-16			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes £000**	**Net change for the Pensions Adjustments £000**	**Other Differences £000**	**Total Adjustments £000**
Economy, Transport and Environment	16,308	2,386	39	**18,734**
Children, Families and Adults	52,184	7,336	2,057	**61,578**
Public Health	0	71	4	**75**
Corporate Services	0	-10,185	8	**-10,177**
LGSS Managed	0	143	0	**143**
Assets & Investments	7,749	201	3	**7,954**
LGSS Operational	0	1,663	29	**1,691**
Net cost of services	**76,242**	**1,615**	**2,141**	**79,998**
Other income and expenditure from the Expenditure and Funding Analysis	63	17,829	-317	**17,575**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**76,305**	**19,444**	**1,824**	**97,573**

NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments for Capital purposes

- In the **service lines** this column records adjustments in respect of depreciation, revenue expenditure funded from capital under statute (REFCUS), revaluation gains/losses, and Private Finance Initiative and lease movements.
- **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. There are also adjustments for movements in the market value of investment properties.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure**, the net interest on the defined benefit liability is charged to the CIES.

Other Adjustments

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute.

- **For services** this comprises the accrual made in respect of accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

Expenditure/Income	2015/16 £000	2016/17 £000
Expenditure		
Employee benefits expenses	305,222	299,936
Other services expenses	563,798	563,474
Support service recharges	0	0
Depreciation, amortisation, impairment	39,389	37,800
Interest payments	25,525	43,121
Precepts and levies	376	381
Gain on the disposal of asset	59,194	88,287
Total expenditure	**993,504**	**1,032,998**
Income		
Fees, charges and other service income	-158,571	-145,056
Interest and investment income	-487	-6,749
Income from council tax, nondomestic rates, district rate income	-304,762	-318,996
Government grants and contributions	-447,058	-467,605
Total income	**-910,878**	**-938,406**
(Surplus) or Deficit on the Provision of Services	**82,626**	**94,592**

3. ACCOUNTING POLICIES

For the Accounting Policies please see Appendix 1.

4. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Council Accounting in the United Kingdom 2017-18 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2017-18 Code. There are no new standards in the 2017-18 Code which are likely to have a material impact on the accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Property valuations are provided by component on a rolling programme every five years by a combination of internal and independent external valuers (with a significant proportion undertaken by external valuers in the last two years), with moderation undertaken by the Council's internal valuers. In order to validate use of the rolling programme to undertake valuations, the Council performs an annual exercise to determine whether there is any material misstatement in the overall asset portfolio. If it is concluded that there is a material misstatement, then the revaluations will be brought up to date either by revaluation or by use of indices. All valuations are prepared in accordance with the Council's accounting policy (see appendix 1). Depreciation of capital assets is based on their useful economic life and any increase or decrease in useful lives will affect the level of depreciation and the carrying value of the assets;

- The Council currently has 3 PFI contracts with private sector partners. These are as follows:

  - AmeyCespa Limited – to provide waste treatment and household waste facilities for the county until 2036;
  - Balfour Beatty plc. – to replace Cambridgeshire's existing Street Lighting network, and subsequent maintenance until 2036; and
  - Equitix Learning Community Partnerships – for the construction of Thomas Clarkson Community College (with a concession period until January 2037) as part of the Building Schools for the Future programme.

For the Waste and Street Lighting schemes, the Council is deemed to control the service provision, own the risks and rewards of the assets and will either take ownership of the assets, or have the option to renew the lease. As such, all relevant income, expenditure, assets and liabilities have been recognised on this basis. In relation to the Building Schools for the Future scheme, Thomas Clarkson Community College has academy status, and as such, its assets are not recognised on the Council's Balance Sheet (in accordance with the Council's accounting policy). However, the associated liabilities are recognised, as the contractor has met their commitments in terms of their right to receive payments from the Council for the capital element of the scheme, and there is no recourse to the school for any future payments. This accounting treatment creates a subsequent loss. However as there are no Academy assets on the Council's Balance Sheet to charge this against it is charged to the Comprehensive Income and Expenditure Statement as Revenue Expenditure Funded as Capital Under Statute (REFCUS).

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

6. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1m for every year that useful lives had to be reduced.
	Asset valuations are completed on a 5 year rolling basis and values are reviewed annually to ensure they are not materially misstated.	In order to ensure that carrying values are kept in line with fair values in the interim, the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. This analysis involves either a) a desktop valuation of assets over a certain value, b) a market review undertaken by the Council's external valuers, and if necessary, c) an indexation analysis that assesses when a depreciated replacement cost (DRC) asset was last revalued and applies an index to it based on Building Cost Information Service (BCIS) forecasts and land value calculations for every year since it was last revalued. In 2016-17 the Council assets were increased by £25.7m as a result of applying indexation; however it was estimated that this adjustment would have been £4.9m higher, if the indices used had been 1% higher for each year of the 5 year rolling programme.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the pension's liability of changes in individual assumptions can be measured. For instance: • 1 year increase in member life expectancy would result in an increase in the liability of approximately 3%-5%; • 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £147m (10%); and • 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £127m (8%).

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

7. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events occurring after the Balance Sheet date that require disclosure to enable readers to gain a proper understanding of the financial position of the Council up to the date when this Statement of Accounts was authorised for issue by the Chief Finance Officer.

A ‘non-adjusting’ event is indicative of conditions that arose after the Balance Sheet date.

‘Non-adjusting’ Events After The Balance Sheet Date

Schools converting to Academy status

Academies are publicly funded independent schools that were first introduced in 2000 to replace failing secondary schools, or provide new schools where there was not enough high quality provision. Subsequent legislation (Academies Act 2010) enabled many more high performing schools to be free to innovate and operate independently of local authorities.

A further 22 schools have, or are expected to open or convert to Academy status before the 31 March 2018, with further new schools opening and conversions expected to take place in future years. By the end of the 2017-18 financial year, it is expected that local authority maintained schools with a current net book value totalling £36m will have converted to Academy status since the Balance Sheet date, in addition to a further transfer of £54.7m of Assets Under Construction expenditure for new schools opening as Academies/Free schools. As with schools already converted, the assets of these schools will be derecognised from the Council’s Balance Sheet in 2017-18.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in balances in 2016-17:

2016-17	Usable Reserves General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	37,800	-	-	-37,800
Revaluation losses on Property Plant and Equipment	39,144	-	-	-39,144
Movements in the fair value of Investment Properties	-4,122	-	-	4,122
Revenue expenditure funded from capital under statute	45,584	-	-	-45,584
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	89,053	-	-	-89,053
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-12,413	-	-	12,413
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments involving the Capital Grants and Contributions Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-114,579	1,116	-17,033	130,495
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-766	766	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-766	-	766
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-51	-	-	51
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 26)	55,857	-	-	-55,857
Employer's pensions contributions and direct payments to pensioners payable in the year	-33,905	-	-	33,905
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	-3,820	-	-	3,820
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-2,082	-	-	2,082
Total Adjustments	**95,701**	**1,116**	**-17,033**	**-79,784**

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in balances in 2015-16:

2015-16	Usable Reserves General Fund £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	39,389	-	-	-39,389
Revaluation losses on Property Plant and Equipment	26,017	-	-	-26,017
Movements in the fair value of Investment Properties	69	-	-	-69
Revenue expenditure funded from capital under statute	52,646	-	-	-52,646
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	85,213	-	-	-85,213
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-10,142	-	-	10,142
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments involving the Capital Grants and Contributions Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-90,819	-	11,140	79,679
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-4,718	4,718	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-6,157	-	6,157
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-21,300	-	-	21,300
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-51	-	-	51
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 26)	51,856	-	-	-51,856
Employer's pensions contributions and direct payments to pensioners payable in the year	-32,411	-	-	32,411
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	-317	-	-	317
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,141	-	-	-2,141
Total Adjustments	97,573	-1,439	11,140	-107,274

NOTES TO THE CORE FINANCIAL STATEMENTS

9. TRANSFERS TO/FROM EARMARKED RESERVES

The Council's Earmarked Reserve balances including an analysis of respective in-year movements are as follows:

	Balance at 01 Apr-15 £000	Transfers Out 2015-16 £000	Transfers In 2015-16 £000	Balance at 31-Mar-16 £000	Transfers Out 2016-17 £000	Transfers In 2016-17 £000	Balance at 31-Mar-17 £000
Carry forward – Schools	**21,892**	-22,443	21,195	**20,644**	-21,281	15,806	**15,169**
Carry forward – Other	**6,694**	-7,831	9,971	**8,834**	-15,821	12,003	**5,016**
Insurance Reserve	**2,539**	-4,048	4,373	**2,864**	-4,405	4,810	**3,269**
Transformation Reserve	-	-	11,853	**11,853**	-910	9,582	**20,525**
Other Earmarked Reserves	**23,523**	-19,220	18,178	**22,481**	-23,236	27,673	**26,918**
Total	**54,648**	**-53,542**	**65,570**	**66,676**	**-65,653**	**69,874**	**70,897**

The Council has created a transformation fund reserve financed from an adjustment to debt defrayment, with the two planned transfers to the fund shown in the table above. The General Purposes Committee decides on transfers out of the fund towards specific projects which have a business case showing a return to the Council, as part of the drive to transform services and deliver savings of £100m across the next five years.

10. OTHER OPERATING EXPENDITURE

Listed below are items of income and expenditure that cannot reasonably be allocated or apportioned to services.

2015-16 £000		2016-17 £000
59,194	Losses on the disposal of non-current assets	88,287
376	Levies	381
59,570	**Total**	**88,668**

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NOTES TO THE CORE FINANCIAL STATEMENTS

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

This contains items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions.

2015-16 £000		2016-17 £000
25,525	Interest payable and similar charges	26,090
17,829	Net interest on the net defined benefit liability	17,031
-487	Interest receivable and similar income	-1,408
-57	Income and expenditure in relation to investment properties and changes in their fair value	-5,579
35	Trading Accounts	238
42,845	**Total**	**36,372**

12. TAXATION AND NON-SPECIFIC GRANT INCOMES

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. All capital grants and contributions are shown below, even where they are service-specific.

2015-16 £000		2016-17 £000
-245,076	Council tax income	-254,878
-59,686	Non-domestic rates	-64,118
-65,439	Non-ringfenced government grants	-51,294
-61,740	Capital grants and contributions	-107,259
-431,941	**Total**	**-477,549**

13. PROPERTY, PLANT AND EQUIPMENT

Movements in balances in 2016-17 and 2015-16:

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	Other Land & Buildings £000	Vehicles, Plant, furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1-Apr-16	**1,024,143**	**17,840**	**890,309**	**686**	**5,843**	**53,062**	**1,991,883**	**115,368**
Additions	-	-	46,380	-	-	68,564	**114,944**	2,409
Donations	-	-	-	-	-	-	**-**	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	61,449	-	-	-	1,190	-	**62,639**	-
Revaluation increases/ decreases (-) recognised in the surplus/ deficit on the Provision of services	-39,532	-	-	-	-854	-	**-40,386**	-
Derecognition and Disposals	-66,760	-	-506	-	-	-22,464	**-89,730**	-
Assets reclassified to (-)/ from Held for Sale	-3,024	-	-	-	-	-	**-3,024**	-
Assets reclassified to (-)/ from PPE	36,013	-	1	-	-714	-35,300	**-**	-
Assets reclassified to (-)/ from Investment Properties	-	-	-	-	-	-442	**-442**	-
Assets reclassified to (-)/ from Intangible Assets	-30	-	-	-	-	-228	**-258**	-
Other movements in Cost or Valuation	-20	-	1	-	-	-	**-19**	-
At 31-Mar-17	**1,012,239**	**17,840**	**936,185**	**686**	**5,465**	**63,192**	**2,035,607**	**117,777**
Accumulated Depreciation and Impairment								
At 1-Apr-16	**-36,003**	**-14,936**	**-179,492**	**-**	**-**	**-**	**-230,431**	**-45,598**
Depreciation charge	-13,564	-1,104	-23,112	-	-20	-	**-37,800**	-4,199
Depreciation written out to the Revaluation Reserve	10,232	-	-	-	57	-	**10,289**	-
Depreciation written out to the surplus/ deficit on the provision of services	1,232	-	-	-	10	-	**1,242**	-
Impairment losses/ reversals (-) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/ reversals (-) recognised in the surplus/ deficit on the provision of services	-	-	-	-	-	-	**-**	-
Derecognition and Disposals	680	-	117	-	-	-	**797**	-
Other movements in Depreciation and Impairment	71	-	-	-	-71	-	**-**	-
At 31-Mar-17	**-37,352**	**-16,040**	**-202,487**	**-**	**-24**	**-**	**-255,903**	**-49,797**
Net Book Value								
At 31-Mar-17	**974,887**	**1,800**	**733,698**	**686**	**5,441**	**63,192**	**1,779,704**	**67,980**
At 31-Mar-16	**988,140**	**2,904**	**710,817**	**686**	**5,843**	**53,062**	**1,761,452**	**69,770**

NOTES TO THE CORE FINANCIAL STATEMENTS

	Other Land and Buildings £000	Vehicles, Plant, furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1-Apr-15	**1,051,085**	**17,840**	**845,920**	**686**	**5,621**	**34,800**	**1,955,952**	**102,523**
Additions	-	-	47,797	-	-	59,676	**107,473**	12,845
Donations	-	-	-	-	-	-	**-**	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	47,024	-	-	-	5,336	-	**52,360**	-
Revaluation increases/ decreases (-) recognised in the surplus/ deficit on the Provision of services	-26,074	-	-	-	-1,363	-	**-27,437**	-
Derecognition and Disposals	-90,168	-	-2,998	-	-181	-	**-93,347**	-
Assets reclassified to (-)/ from Held for Sale	-369	-	-	-	-	-	**-369**	-
Assets reclassified to (-)/ from PPE	45,394	-	-410	-	-3,570	-41,414	**-**	-
Assets reclassified to (-)/ from Investment Properties	-2,728	-	-	-	-	-	**-2,728**	-
Other movements in Cost or Valuation	-21	-	-	-	-	-	**-21**	-
At 31-Mar-16	**1,024,143**	**17,840**	**890,309**	**686**	**5,843**	**53,062**	**1,991,883**	**115,368**
Accumulated Depreciation and Impairment								
At 1-Apr-15	**-44,994**	**-13,960**	**-158,796**	**-**	**-303**	**-**	**-218,053**	**-41,831**
Depreciation charge	-15,968	-976	-22,445	-	-	-	**-39,389**	-3,767
Depreciation written out to the Revaluation Reserve	16,809	-	-	-	-136	-	**16,673**	-
Depreciation written out to the surplus/ deficit on the provision of services	1,536	-	-	-	115	-	**1,651**	-
Impairment losses/ reversals (-) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/ reversals (-) recognised in the surplus/ deficit on the provision of services	-	-	-	-	-	-	**-**	-
Derecognition and Disposals	6,761	-	1,749	-	178	-	**8,688**	-
Other movements in Depreciation and Impairment	-147	-	-	-	146	-	**-1**	-
At 31-Mar-16	**-36,003**	**-14,936**	**-179,492**	**-**	**-**	**-**	**-230,431**	**-45,598**
Net Book Value								
At 31-Mar-16	**988,140**	**2,904**	**710,817**	**686**	**5,843**	**53,062**	**1,761,452**	**69,770**
At 31-Mar-15	**1,006,091**	**3,880**	**687,124**	**686**	**5,318**	**34,800**	**1,737,899**	**60,692**

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Capital commitments

At 31 March 2017, the Council has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2016-17 and future years, budgeted to cost £143m. Similar commitments at 31 March 2016 were £67m. The major commitments are:

Expenditure approved and contracted		31-Mar-17 £000
Free Schools:		
Trinity School	Conversion, extension, alterations and refurbishment	2,997
Littleport School	New secondary, SEN and primary school	37,500
The Shade Primary School	Expansion to 2 form entry and alterations	2,304
Cambourne Village College	2 form entry expansion to 7 form entry	9,048
Clay Farm Primary School	New 3 form entry primary school with early years	10,468
Godmanchester Bridge Primary school	New 2 form entry primary school with early years	8,142
St Bedes Secondary School	1 form entry expansion to 6 form entry and fire reinstatement	6,857
Hatton Park Primary School	1 form entry expansion to 2 form entry	4,342
Ramnoth Junior School	1 form entry expansion	5,884
Sawtry Infants School	Pre-school expansion and remodel	1,586
Community Schools:		
Fordham Primary School	Expansion to 2 form entry and alterations	3,513
Little Paxton Primary School	Expansion to 2 form entry and alterations; replacement of 2 mobiles	2,843
Burwell Village College Primary School	1 form entry expansion	5,525
Temporary Accommodation	Supply, delivery and erection of new modular 4, 5 and 7 bay mobile classroom buildings for use as school accommodation	2,000
Highways		
Ely Crossing	Design and build	25,000
Traffic Signals and other Intelligent Transport Systems	Maintenance, supply and install	10,500
IT		
New Management Information System	For social care	1,100
Total		**139,609**

Revaluations

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

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carrying values are kept in line with current values in the interim, the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. For 2016-17, 100% of the valuations were carried out externally by Royal Institution of Chartered Surveyors (RICS) registered valuers, Wilks Head & Eve. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the RICS Valuation. The effective date of revaluation for the rolling programme and all Surplus assets is the 1 April 2016, however as part of the material misstatement exercise, some assets were revalued again on a desktop basis as at 31 March 2017.

The significant assumptions applied in estimating current values are:

- Building values based on building indices (Building Cost Information Service (BCIS)); and
- Land values based on existing use (for example, if offices are based on the land then the land is valued for office use, if buildings on the land have industrial use then the land is valued based on employment land value).

Valuation of long-term assets

	Carried at historical cost:	Valued at fair value as at:					Total
		2012-13	2013-14	2014-15	2015-16	2016-17	
	£000	£000	£000	£000	£000	£000	£000
Land and Buildings		196,713	110,811	296,777	252,451	155,487	**1,012,239**
Vehicles, Plant, Furniture and Equipment		0	13,439	4,401	0	0	**17,840**
Infrastructure Assets	936,185						**936,185**
Community Assets	686						**686**
Surplus Assets		0	411	202	4,851	1	**5,465**
Assets Under Construction	63,192						**63,192**
	1,000,063	**196,713**	**124,661**	**301,380**	**257,302**	**155,488**	**2,035,607**
Assets Held for Sale		0	0	0	3,531	0	**3,531**
Investment Properties		0	0	442	6,780	0	**7,222**
Total	**1,000,063**	**196,713**	**124,661**	**301,822**	**267,613**	**155,488**	**2,046,360**

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14. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Archives and Museum Collections £000	Art Collection £000	Total Assets £000
Valuation or cost			
1 April 2015	20,566	150	20,716
Additions during 2015-16	1	-	1
Disposals during 2015-16	-	-	-
31 March 2016	**20,567**	**150**	**20,717**
1 April 2016	20,567	150	20,717
Additions during 2016-17	-	-	-
Disposals during 2016-17	-	-12	-12
31 March 2017	**20,567**	**138**	**20,705**

15. LONG-TERM DEBTORS

This section gives details of amounts expected to be realised after one year.

31-Mar-16 £000		31-Mar-17 £000
3,880	Bodies external to general government (i.e. all other bodies)	9,572
418	Central government bodies	209
21,300	Long term finance lease receivable	21,589
25,598	**Total**	**31,370**

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16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial Instrument are carried on the Balance Sheet.

	Long-term		Current	
	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17
	£000	£000	£000	£000
Investments:				
Available-for-sale financial assets	400	400	-	-
Total investments	**400**	**400**	**-**	**-**
Cash and cash equivalents:				
Cash and cash equivalents	-	-	1,064	28,173
Total cash and cash equivalents	**-**	**-**	**1,064**	**28,173**
Loans and receivables:				
Loans and receivables (excluding prepayments)	25,598	31,370	29,395	61,768
Total receivables	**25,598**	**31,370**	**29,395**	**61,768**
Borrowings:				
Financial liabilities at amortised cost	-356,305	-345,298	-3,428	-95,399
Total borrowings	**-356,305**	**-345,298**	**-3,428**	**-95,399**
Other liabilities:				
Other liabilities	-120,820	123,323	-75,594	-83,370
Total other liabilities	**-120,820**	**123,323**	**-75,594**	**-83,370**

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Income, Expense, Gains and Losses

	2015-16				2016-17			
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest expense	25,525	-	-	**25,525**	26,090	-	-	**26,090**
Total expense in the Deficit on the Provision of Services	**25,525**	**-**	-	**25,525**	**26,090**	**-**	**-**	**26,090**
Interest income	-	-300	-187	**-487**	-	-1,408	-	**-1,408**
Total income in the Deficit on the Provision of Services	**-**	**-300**	**-187**	**-487**	-	-1,408	-	**-1,408**
Net gain (-) / loss for the year	**25,525**	**-300**	**-187**	**25,038**	**26,090**	**-1,408**	**0**	**24,682**

Fair Values

There are material changes to the Fair Value notes, some based on the category of their initial valuation:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

Some of the authority's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques to measure them.

At the balance sheet date no Certificates of Deposits were held. The fair value of such instruments is calculated by using published price quotations.

All other available for sale investments are carried at historic cost, as a fair value cannot be established or they are commercially sensitive. The total value of these available for sale investments at 31 March 2017 is £400k.

There were no transfers between input levels during the financial year.

There has been no change in the valuation technique used during the year for the financial instruments.

Except for the financial assets carried at fair value, all other financial assets and financial liabilities represented by loans and receivables and long term debtors and creditors are carried on the balance

NOTES TO THE CORE FINANCIAL STATEMENTS

sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, early repayment rates from the PWLB have been applied to provide the fair value.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade other receivable the fair value is taken to be the carrying amount or the billed amount.

All other financial assets are classed as Loans and Receivables and held within notice accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. Our accounting policy uses premature repayment borrowing rates to discount the future cash flows. The fair values are as follows:

Fair value hierarchy for financial liabilities

	31 March 2016		31 March 2017	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£000	£000	£000	£000
PWLB borrowing	-279,494	-378,759	-283,482	-402,822
Non-PWLB borrowing	-80,240	-121,527	-157,214	-215,186
Short term creditors/payables	-75,594	-75,594	-83,370	-83,370
Short term finance lease & PFI liability	-	-	-	-
Long term finance lease & PFI liability	-120,820	-120,820	-123,323	-123,323
Financial liabilities	**-556,148**	**-696,700**	**-647,389**	**-824,701**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £402.822m measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken

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at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £283,482m would be valued at £349.429m. But if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption.

Fair value hierarchy for financial assets

	31 March 2016		31 March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Fixed term investments	0	0	0	0
Cash and Cash Equivalents	1,064	1,064	28,173	28,173
Short term debtors (excluding prepayments)	29,395	29,395	61,768	61,768
Long term debtors	25,598	25,598	31,370	31,370
Loans and receivables	**56,057**	**56,057**	**121,310**	**121,310**
Municipal Bonds Agency	400	400	400	400
Available for Sale	**400**	**400**	**400**	**400**

The fair value of the assets is the same as the carrying amount because the Council's portfolio of loans and receivables amortised cost is a fair approximation of their value. The fair value of long term debtors is also taken to be the carrying amount.

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NOTES TO THE CORE FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

2015-16 £000		2016-17 £000
-	**Balance outstanding at start of year**	**2,658**
-70	Net gains/losses from fair value adjustments	4,122
2,728	Transfers to/from PPE	442
2,658	**Balance outstanding at year-end**	**7,222**

18. FAIR VALUE HIERARCHY

Details of the Council's Surplus Assets, Assets Held for Sale and Investment Properties and information about the fair value hierarchy as at 31 March 2017 and 2016 are as follows:

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2017 £000
Surplus Assets	3,435	2,006	**5,441**
Assets Held for Sale	3,064	467	**3,531**
Investment Assets	7,150	72	**7,222**
	13,648	**2,545**	**16,194**

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31 March 2016 Comparative Figures

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2017 £000
Surplus Assets	3,609	2,234	**5,843**
Assets Held for Sale	147	467	**614**
Investment Assets	947	1,712	**2,658**
	4,703	**4,413**	**9,116**

Valuation Techniques

There has been no change in the valuation techniques used during the year for properties valued by fair value. The approaches are outlined below.

Significant Observable Inputs – Level 2

Land, Office, Community, Depot, Leisure and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Observable Inputs – Level 3

Ancient Monument, Travellers Site, Community Centre, Museum, Day Centres, Amenity Land, and Educational assets have been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions)

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Typical valuation inputs which have been analysed in arriving at the Fair Valuations include;

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout,
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence

Highest and Best Use

In estimating the fair value of the Council's Surplus Assets, Assets Held for Sale and Investment Properties, the highest and best use is their current use for most of the assets. However, for ten assets their highest and best use is actually for an alternative use. In all cases, this alternative use is for residential development land – however the Council cannot realise that alternative value until planning permission is granted (although this is not guaranteed) and/or the asset is sold. As such, in the meantime these assets are either not in use (and therefore their current existing use is their previous use) or they have been put to an alternative use in the meantime whilst they await disposal or future development.

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

Fair value movements for assets categorised within level 3:	**31-Mar-16**	**31-Mar-17**
	£000	**£000**
Opening balance	2,066	4,413
Transfers out of level 3		-3,535
Reclasses between PPE, AHFS and Investment Properties	1,254	1,920
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-826	-631
Total gains [or losses] for the period included in Surplus or deficit on revaluation of long-term assets	1,919	385
Depreciation	-	-7
Total Short Term Receivables	**4,413**	**2,545**

Gains or losses arising from changes in the fair value of level assets are recognised in the Surplus or Deficit on the Provision of Services in the Children's, Families & Adults and Asset & Investment lines.

NOTES TO THE CORE FINANCIAL STATEMENTS

Transfers between Levels of the Fair Value Hierarchy

Eleven assets have transferred from Level 3 to Level 2 between 1st April 2015 and 1st April 2016. For the majority of these assets, no direct comparable evidence was available for the 1st April 2015 valuation, whereas comparable evidence was available for the 1st April 2016 valuation (for example, where a sale price has now been agreed).

19. SHORT TERM DEBTORS

An analysis between Central Government departments and other debtors is given below.

31-Mar-16 £000		31-Mar-17 £000
8,405	Central government bodies	5,589
2,149	NHS bodies	4,697
43,039	Other local authorities, entities and individuals	72,341
53,593	**Total Short Term Debtors**	**82,626**

20. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents also include bank overdrafts where these arise as an integral part of the Council's cash management. The cash position is managed to ensure that a broadly neutral position is maintained on a daily basis (i.e. surplus cash balances are temporarily invested until next needed); overdrawn balances represent cash in transit at 31 March. The Council's cash management arrangements do not extend to bank balances held by schools in their own bank accounts.

The following table shows the balance of cash and cash equivalents at 31 March. The balance of Cash and Cash Equivalents is made up of the following elements:

31-Mar-16 £000		31-Mar-17 £000
1,064	Cash held by the Council	-
-	Cash equivalents	35,459
-	Overdraft	-7,286
1,064	**Total Cash and Cash Equivalents**	**28,173**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

21. ASSETS HELD FOR SALE

2015-16 £000		2016-17 £000
1,098	**Balance outstanding at start of year**	614
	Assets newly classified as held for sale:	
369	Property, Plant and Equipment	3,024
-70	Revaluation losses	-
-229	Revaluation gains	-
	Assets declassified as held for sale:	
-554	Assets sold	-107
614	**Balance outstanding at year-end**	3,531

22. SHORT TERM CREDITORS

An analysis between Central Government departments and other creditors is given below.

[1]31-Mar-16 £000		31-Mar-17 £000
-5,469	Central government bodies	-27,987
-2,646	NHS bodies	-2,818
-86,950	Other local authorities, entities and individuals	-96,589
-95,065	**Total Short Term Creditors**	-127,394

[1]Prior period restatement: Upon preparation of the 2016-17 accounts it was ascertained that although an NNDR appeals provision was made in 2015-16 it was incorrectly recorded against short term creditors rather than provisions. This has been corrected accordingly.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

23. PROVISIONS

The Council has made specific provisions to set aside sums to meet both current and long term liabilities that are likely or certain to be incurred but where the amount or timing of the payments are not known. These are as follows:

	[1]Balance at 1-Apr-16	Provisions arising & adjusted	Provisions utilised	Provisions reversed	Balance at 31-Mar-17
	£000	£000	£000	£000	£000
Current:					
Insurance	**3,506**	-	-1,413	-	**2,093**
Other Corporate Provisions (<£1m)	**2,150**	214	-355	-89	**1,920**
Long-term:					
Insurance	**3,613**	-	-	-	**3,613**
NNDR appeals provision	**2,603**	-	-	-534	**2,069**
Total	**11,872**	**214**	**-1,768**	**-623**	**9,695**

[1]Prior period restatement: Upon preparation of the 2016-17 accounts it was ascertained that although an NNDR appeals provision was made in 2015-16 it was incorrectly recorded against short term creditors rather than provisions. This has been corrected accordingly.

Insurance

This provision is used to meet insurance claims funded by the Council. It is related to claims that are more likely than not to be payable. Included within this balance is an amount to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement has now been triggered.
MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

The amount paid under the insurance arrangements plus the amount outstanding under this arrangement is £14.2m. As a result of the imposition of the levy, now increased to 25%, the Council has made levy payments totalling £3.56m and is also liable to contribute to each and every subsequent claim payment made by MMI on the Council's behalf, thereby creating an on-going financial obligation. MMI's financial position has continued to deteriorate; as a result an increase in the levy rate may be made in the future. The Council's current estimated levy liability for outstanding historic claims against MMI policies is £153k.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

24. OTHER LONG TERM LIABILITIES

An analysis of other long term liabilities is shown below:

31-Mar-16 £000		31-Mar-17 £000
-479,437	Pensions Liabilities	-509,867
-131	Long term finance lease (non- PFI)	-131
-120,271	Long term finance lease (PFI)	-122,983
-418	Deferred credits	-209
-600,257	**Total**	**-633,190**

25. USABLE RESERVES

Usable reserves are those reserves that contain resources that a Council can apply to the provision of services, either by incurring expenses or undertaking capital investment; whether or not there are particular restrictions on exactly what the resources can be applied to. Please refer to Notes 8 and 9 for details of the movements in usable reserves.
The Council's usable reserves are as follows:

- **General Fund** – the main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met. The General Fund cushions the impact of uneven cash flows and also acts as a contingency that can be used in year in the event of unexpected emergencies or unforeseen spending;

- **Earmarked Reserves** – these are resources set aside for a specific purpose. The Council's earmarked reserves include balances to cover future pressures, insurance claims and general contingencies held by schools within advisory limits. This includes a Transformation reserve which has been set up to finance projects that will reduce the Council's operating costs. Further analysis of earmarked reserves is shown within note 9;

- **Usable Capital Receipts Reserve** – this reserve comprises all income from capital receipts that has been credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal of long-term assets. Income is credited to the Capital Receipts Reserve, via a debit to the General Fund balance in the Movement in Reserves Statement. This reserve may only be used to fund capital expenditure or repay debt;

- **Capital Grants and Contributions Unapplied Reserve** – this reserve includes all capital grant income credited to the Comprehensive Income and Expenditure Statement, and subsequently reversed out

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

of the General Fund Balance in the Movement in Reserves Statement. It is designed to show the position when a capital grant has been received, and conditions of its award met, but is yet to be used to finance capital expenditure. Amounts in this reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (page 24).

26. UNUSABLE RESERVES

A summary of the Council's unusable reserves is as follows:

31-Mar-16 £000		31-Mar-17 £000
481,822	Revaluation Reserve	517,286
618,848	Capital Adjustment Account	592,529
-1,280	Financial Instruments Adjustment Account	-1,229
-479,438	Pensions Reserve	-509,868
257	Collection Fund Adjustment Account	4,077
-10,172	Accumulated Absences Account	-8,090
21,300	Deferred Capital Receipts Reserve	21,300
631,337	**Total Unusable Reserves**	616,005

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- disposed of and the gains are realised.

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

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NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16 £000	Revaluation Reserve	2016-17 £000
432,081	**Balance at 1st April**	**481,822**
72,987	Upward revaluation of assets	101,546
-4,024	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-28,617
501,044	**Surplus or deficit on revaluation of long-term assets not posted to the Surplus or Deficit on the Provision of Services**	**554,751**
-6,731	Difference between fair value depreciation and historical cost depreciation	-6,007
-12,491	Accumulated gains on assets sold or scrapped	-31,458
-19,222	**Amount written off to the Capital Adjustment Account**	**-37,465**
481,822	**Balance at 31st March**	**517,286**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets (such as buildings and roads) and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement, via charges for depreciation, impairment losses and amortisations which are initially debited to the Comprehensive Income and Expenditure Statement. These are then transferred in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account. Reconciling postings from the Revaluation Reserve convert the fair value figures to a historical cost basis. The account is also credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains and losses accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16 £000	Capital Adjustment Account	2016-17 £000
706,983	**Balance at 1st April**	**618,848**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-38,389	Charges for depreciation and impairment of long-term assets	-37,800
-26,017	Revaluation gains reversing previous losses on Property, Plant and Equipment	-39,144
-52,647	Revenue expenditure funded from capital under statute	-45,584
-85,213	Amounts of long-term assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	-89,052
19,222	Adjusting amounts written out of the Revaluation Reserve	37,465
522,939	**Net written out amount of the cost of non-current assets consumed in the year**	**444,733**
	Capital financing applied in the year:	
6,157	Use of the Capital Receipts Reserve to finance new capital expenditure	766
79,679	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	130,495
10,142	Statutory provision for the financing of capital investment charged against the General Fund	12,413
-69	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	4,122
618,848	**Balance at 31st March**	**592,529**

Pensions Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16 £000	Pensions Reserve	2016-17 £000
-559,255	**Balance at 1st April**	**-479,438**
99,262	Remeasurement of net defined liability	**-8,478**
-51,856	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**-55,857**
32,411	Employer's pensions contributions and direct payments to pensioners payable in the year	**33,905**
-479,483	**Balance at 31st March**	**-509,868**

Collection Fund Adjustment Account

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

2015-16 £000	Collection Fund Account	2016-17 £000
-60	**Balance at 1st April**	**257**
317	Settlement/cancellation of accrual made at the end of the preceding year	**3,820**
257	**Balance at 31st March**	**4,077**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2015-16 £000	Accumulated Absences Account	2016-17 £000
-8,031	**Balance at 1st April**	**-10,172**
8,031	Settlement/cancellation of accrual made at the end of the preceding year	**10,172**
-10,172	Amounts accrued at the end of the current year	**-8,090**
-2,141	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	**2,082**
-10,172	**Balance at 31st March**	**-8,090**

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NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2015-16 £000	Deferred Capital Receipts Reserve	2016-17 £000
-	**Balance at 1st April**	**21,300**
21,300	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**0**
21,300	**Balance at 31st March**	**21,300**

27. TRADING OPERATIONS

The Council has established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or external customers.

Only the net surplus or deficit on external trading is shown separately in the Comprehensive Income and Expenditure Statement. Surpluses and deficits on internal trading are included within Net Cost of Services on the service line to which they relate. Details of those units with turnover greater than £5m or a deficit greater than £100,000 in 2016-17 are as follows:

2015-16 £000		2016-17 £000
	Catering, Cleaning, Groomfields & Grounds Management (CCS)	
-19,476	Turnover	-16,263
19,459	Expenditure	16,611
-17	**Surplus(-)/ Deficit**	**348**
	Education Information and Communication Technology (ICT)	
-4,832	Turnover	-5,793
4,846	Expenditure	5,788
14	**Surplus(-)/ Deficit**	**-5**
	Other trading units	
-3,551	Turnover	-3,400
3,561	Expenditure	3,486
10	**Surplus(-)/ Deficit**	**86**
46	**Adjustment of Surplus (-)/ Deficit for other non-material external trading**	-24
54	**Total Surplus (-)/ Deficit**	**405**
-18	**Removal of deficit on internal trading**	-167
35	**Net Surplus (-)/ Deficit on trading operations**	**238**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Catering, Cleaning, Groomfields and Grounds Management

The service provides catering, cleaning and caretaker services, and all elements of grounds maintenance to school sites and where appropriate develops them in accordance with the National Curriculum and standards.

Education Information and Communication Technology (ICT)

Education ICT is the principal agency for delivering Cambridgeshire's ICT Strategy for schools and their communities.

Other trading units

These include Cambridgeshire Music and the Grafham Water Centre.

28. POOLED BUDGETS

Better Care Fund

Cambridgeshire County Council hosts the local Better Care Fund. This is part of a national initiative to pool Health and Social Care funding to services to achieve better outcomes for the local community.

The fund is operated according to an agreement made under section 75 of the National Health Service Act 2006 between the County Council and the local NHS.

The partners planned expenditure together through the fund including:

- NHS contributions to older people’s and adults' community health services, intermediate care and services for carers
- Social Care spending on reablement, extra care and a range of other services
- Additional funding from the NHS for County Council commissioned services in order to protect social care and respond to the Care Act.
- Disabled Facilities Grant for accommodation adaptations managed by the district Councils
- Jointly managed transformation projects

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Cambridgeshire Better Care Fund 2016/17

Service budgets	Intermediate Care and Re-ablement	Promoting independence	Neighbourhood Teams
	Carers Support	Voluntary Sector Joint Commissioning	Discharge planning and DTOCs

Transformation projects	Healthy Ageing and prevention	Neighbourhood Team development (IACHS)	Seven Day Services	
	Data Sharing	Working with care homes	Workforce Development	Information and communications
	Older People's Accommodation Review	Frequent attenders / high cost individuals	Intermediate Care Teams	

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

The financial results of the Better Care Fund for 2016-17 and 2015-16 are as follows:

2016-17	Pooled Budget Better Care Fund £000
Funding provided to the pooled budget:	
- the Council	6,772
- NHS Cambridgeshire and Peterborough CCG	41,692
Subtotal	48,464
Expenditure met from the pooled budget:	
- the Council	21,610
- NHS Cambridgeshire and Peterborough CCG	26,680
Subtotal	48,290
Net surplus (-)/ deficit on the pooled budget during the year	**(174)**
Council share of the net surplus (-)/ deficit on the pooled budget	**(87)**

2015-16	Pooled Budget Better Care Fund £000
Funding provided to the pooled budget:	
- the Council	3,218
- NHS Cambridgeshire and Peterborough CCG	34,451
Subtotal	37,669
Expenditure met from the pooled budget:	
- the Council	17,824
- NHS Cambridgeshire and Peterborough CCG	19,081
Subtotal	**36,905**
Net surplus (-)/ deficit on the pooled budget during the year	**(764)**
Council share of the net surplus (-)/ deficit on the pooled budget	**(382)**

The surplus arises in the jointly managed transformation projects.

In accordance with the section 75 agreement, NHS funded services which are commissioned directly by the Clinical Commissioning Group, do not require transactions to be via the County Council. Consequently, the actual transfer of funding from the NHS to the County Council related to 2016/17 as a result of the fund is £14.65m.

Other pooled budgets

The Council also has pooled budget agreements with the following bodies:

- NHS Cambridgeshire and Peterborough CCG, for the provision of an Integrated Community Equipment Service (ICES) in Cambridgeshire, with the partner organisation contributing 48% of the budget;
- NHS Cambridgeshire and Peterborough CCG, for the provision of integrated health and social services for Learning Disability Partnership (LDP) clients in Cambridgeshire, with the partner organisation contributing 21% of the budget.

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NOTES TO THE CORE FINANCIAL STATEMENTS

For both the ICES and LDP pools, the same proportions as those for budget contributions are used to meet any deficit or share any surplus arising at the end of each financial year.

2016-17	**Pooled Budget**	
	Integrated Community Equipment Service £000	**Learning Disability Partnership £000**
Funding provided to the pooled budget:		
- the Council	-2,201	-59,578
- NHS Cambridgeshire and Peterborough CCG	-2,065	-16,031
Subtotal	-4,266	-75,609
Expenditure met from the pooled budget:		
- the Council	2,238	61,732
- NHS Cambridgeshire and Peterborough CCG	2,099	16,611
Subtotal	4,337	78,343
Net surplus (-)/ deficit on the pooled budget during the year	**71**	**2,734**
Council share of the net surplus (-)/ deficit on the pooled budget	**37**	**2,154**

2015-16	**Pooled Budget**	
	Integrated Community Equipment Service £000	**Learning Disability Partnership £000**
Funding provided to the pooled budget:		
- the Council	-2,225	-59,596
- NHS Cambridgeshire and Peterborough CCG	-2,087	-15,205
Subtotal	-4,312	-74,801
Expenditure met from the pooled budget:		
- the Council	2,183	61,686
- NHS Cambridgeshire and Peterborough CCG	2,047	15,741
Subtotal	4,230	77,427
Net surplus (-) on the pooled budget during the year	**-82**	**2,626**
Council share of the net surplus (-) on the pooled budget	**-42**	**2,090**

NOTES TO THE CORE FINANCIAL STATEMENTS

29. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2016-17 were £846,604 (£812,491 in 2015-16) and expenses totalled £46,482 (£48,306 in 2015-16).

30. OFFICERS' REMUNERATION

Senior Employees

Regulation 4 of the Accounts and Audit (Amendment number 2) (England) Regulations 2009 [SI 2009 number 3322)] involves a legal requirement to increase transparency and accountability in Local Government for reporting the remuneration of senior employees. These regulations came into force on 31 March 2010 and require authorities to publish detailed senior employee pay information covering, salary, bonuses, expenses allowances, compensation payments, pensions and any other benefits.

Senior employees whose salary is £50,000 or more, but less than £150,000, are required to be listed individually by way of job title. Employees whose salary is £150,000 or more must also be identified by name. In this context, a senior employee is identified as follows:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with others.

The Council's senior employee remuneration for 2016-17 (and 2015-16) is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

			Salary, Fees, Expenses & Allowances £	Employer Pension Contribution £	Total Remuneration Including Employer Pension Contributions £
Chief Executive (G Beasley)	**1**	**2016-17**	175,382	27,068	**202,450**
		2015-16	78,241	12,404	**90,645**
Executive Director: Children, Families and Adults	**2**	**2016-17**	72,143	15,311	**87,454**
		2015-16	137,786	28,248	**166,034**
Executive Director: Children, Families and Adults (Interim)	**3**	**2016-17**	75,597	12,163	**87,760**
		2015-16	0	0	**0**
Executive Director: Economy, Transport and Environment Services		**2016-17**	127,755	27,500	**155,255**
		2015-16	123,271	25,468	**148,739**
Corporate Director: Customer Service and Transformation		**2016-17**	97,087	20,672	**117,759**
		2015-16	93,013	19,105	**112,118**
Deputy Chief Executive and Chief Finance Officer		**2016-17**	105,885	21,895	**127,780**
		2015-16	101,432	20,652	**122,084**
Director of Public Health	**4**	**2016-17**	105,667	13,851	**119,518**
		2015-16	107,187	13,690	**120,877**
Monitoring Officer	**5**	**2016-17**	107,638	24,281	**131,918**
		2015-16	109,495	17,963	**127,458**

Total	**2016-17**	867,154	162,740	**1,029,894**
Total	**2015-16**	750,425	137,530	**887,955**

Notes:

1. The Chief Executive post has been shared with Peterborough City Council since 19 October 2015. The Chief Executive's employment contract is with Peterborough City Council; the full remuneration costs for both Chief Executive roles for 2016-17 are shown above. The cost to Cambridgeshire County Council for its share was £111,246, (2015-16 £49,348 part year).

2. The Executive Director: Children, Families and Adults left the organisation on 09 October 2016

3. The Executive Director: Children, Families and Adults post has been seconded part time from Peterborough City Council for one year from 01 October 2016, for which CCC contributes to half the salary and on costs. The full remuneration costs for 2016-17 (6 months) is shown above. The cost to Cambridgeshire County Council for its share was £49,876, (2015-16 nil).

4. The Director of Public Health works jointly with Peterborough City Council and PCC pays a fixed contribution to CCC for the salary. In 2016-17 this was £52,332, (2015-16 £52,332).

5. The Monitoring Officer responsibilities are fulfilled by the LGSS Director of Law and Governance. The employment contract is with LGSS Law Ltd, the cost of which is shown above.

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NOTES TO THE CORE FINANCIAL STATEMENTS

Employee remuneration above £50,000

In addition, the number of Council staff (including teachers but excluding senior employees) with remuneration above £50,000 is as follows:

Remuneration Banding	2016-17	2015-16
£50,000 - £54,999	83	70
£55,000 - £59,999	65	51
£60,000 - £64,999	42	49
£65,000 - £69,999	27	24
£70,000 - £74,999	11	11
£75,000 - £79,999	5	6
£80,000 - £84,999	5	2
£85,000 - £89,999	2	3
£90,000 - £94,999	4	3
£95,000 - £99,999	3	2
£100,000 - £104,999	1	0
£105,000 - £109,999	1	0
£120,000 - £124,999	1	0
£130,000 - £134,999	0	1
£155,000 - £159,999	1	0
Total	251	222

Approximately two-thirds of the employees referred to in the above table are employed in Cambridgeshire schools.

The number of exit packages in terms of compulsory and other departures, as well as the total amount paid per banding, is set out in the table below:

	Number of compulsory redundancies		Number of other departures with exit package		Total number of exit packages		Total cost of exit packages £000	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
£0 - £20,000	94	91	72	20	166	111	323	536
£20,001 - £40,000	12	9	1	6	13	15	360	430
£40,001 - £60,000	1	1	1	5	2	6	103	287
£60,001 - £80,000	3	1	0	0	3	1	206	71
£80,001 - £100,000	0	1	0	0	0	1	0	83
£100,001 - £150,000	1	0	0	1	1	1	132	102
Total	111	103	74	32	185	135	1,124	1,509

NOTES TO THE CORE FINANCIAL STATEMENTS

31. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2016-17, incurring costs of £1.5m (£1.1m in 2015-16). See note 30 for the number of exit packages and total cost per band that has been paid during the year.

32. EXTERNAL AUDIT COSTS

The Council has incurred the following fees relating to external audit and inspection for the following years of account:

2015-16 £000		2016-17 £000
94	Fees payable with regard to external audit services carried out by the appointed auditor	94
0	Fees payable to appointed auditor for certification of grant claims and returns	0
8	Fees payable in respect of other services provided by the appointed auditor	4
102	Total	98

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

33. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The DSG (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards and Framework Act 1998.

Details of the deployment of DSG receivable for 2016-17 are as follows:

	Central expenditure £000	Individual schools budget (ISB) £000	Total £000
Final DSG for 2016-17 before Academy recoupment			420,197
Academy figure recouped for 2016-17			183,462
Total DSG after Academy recoupment for 2016-17			**236,735**
Brought forward from 2015-16			2,452
Carry forward to 2017-18 agreed in advance			-
Agreed initial budgeted distribution in 2016-17	52,786	186,401	**239,187**
In year adjustments	-	-740	-740
Final budget distribution for 2016-17	**52,786**	**185,661**	**238,447**
Less: Actual central expenditure	52,899		52,899
Less: Actual ISB deployed to schools		185,661	185,661
Plus: Local authority contribution for 2016-17	-	-	-
Carry-forward to 2017-18	**-113**	**0**	**-113**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

34. GRANT INCOME

Material items of grant income supplied without restrictions

The following is a list of all unrestricted revenue grants received during 2016-17 (and 2015-16) that are in excess of £1 million:

2015-16 £000		2016-17 £000
	Credited to Taxation and Non Specific Grant Income and Expenditure	
58,705	Redistributed Business Rates (for 2016-17, includes Growth Pilot Scheme)	60,643
53,669	Revenue Support Grant	33,347
4,413	New Homes Bonus	5,289
5,103	Education Services Grant	4,480
-	Transition Support Grant	3,205
-	PFI Grant (re-financing of school)	1,944
1,652	Business Rates Compensation Grant	1,423
1,037	Independent Living Fund	1,314
	Credited to Services	
4,853	Building Schools for the Future PFI Grant	4,853
3,944	Street Lighting PFI Grant	3,944
2,691	Waste PFI Grant	2,691
-	Adult Education Budget Block Grant	1,961
1,442	Adult Safeguarded Learning Grants (for 2016-17 included in Adult Education Budget Block Grant above)	-
-	Unaccompanied Asylum Seekers	1,664
1,561	Primary Schools Sports Funding	1,514
3,193	Adult Social Care New Burdens (Care Act & Carers)	-
142,263	**Total**	**128,272**

Grant income supplied with mandated requirements

The following is a list of all conditional revenue grants received in excess of £1 million during 2016-17:

2015-16 £000		2016-17 £000
242,139	Dedicated Schools Grant	236,735
24,405	Public Health Grant	27,627
2,308	School Sixth Forms Funding	1,037
10,498	Pupil Premiums	10,133
279,350	**Total**	**275,532**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Grants receipts in advance

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

31-Mar-16 £000		31-Mar-17 £000
	Current:	
	Grants	
61	Building Schools for the Future project	-
961	Standards Fund capital grants	-
	Contributions	
13,954	Section 106 contributions and Community Infrastructure levy	6,829
-806	Other contributions	-
	Long Term:	
	Contributions	
22,921	Section 106 contributions	23,023
17,779	City Deal Funding	-
1,324	Other contributions	303
56,194	**Total**	**30,155**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

35. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. This includes the Government, Council Members, Chief Officers, and both public and non-public bodies.

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in note 2 analysing income and expenditure. Grant receipts outstanding at 31 March 2017 are shown in note 34.

Member and Senior Officer declarations

All Members and Senior Officers of the Council have been requested to detail any related party transactions in as far as they affect them. No significant interests have been disclosed.

A copy of the up-to-date statutory Register of Members Interests can be inspected at Shire Hall. A non-statutory copy has been placed on the Council's website.

Other Public Bodies (subject to common control by central government)

The Council has two pooled budget arrangements with NHS Cambridgeshire for the provision of services for people with learning disabilities and an integrated community equipment service which are accounted for as joint operations.

In addition, The Better Care Fund (BCF) was announced in June 2013 to drive the transformation of local services to ensure that people receive better and more integrated care and support. Where funding would have been split between the local authorities and Clinical Commissioning Groups (CCGs) it is now pooled to deliver services both efficiently and cooperatively as a joint operation.

In Cambridgeshire this has resulted in the Better Care Fund programme which brings together organisations including the County Council, Cambridgeshire and Peterborough CCG, Acute Trusts, Community Trusts, Mental Health Trusts, District Councils and the Voluntary Sector.

Further Details for each of these pooled budgets and the Better Care Fund can be found in note 28.

Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2017:

NOTES TO THE CORE FINANCIAL STATEMENTS

LGSS with Northamptonshire County Council and Milton Keynes Council			
Legal status of entity	Joint Committee		
Business of entity	Joint delivery of transactional and professional functions with a view to more economical, efficient and effective services		
Council's share of entity		2015-16 50%	2016-17 33%

LGSS was established in October 2010 and is delivered through a joint committee with its own management team. LGSS is jointly owned by Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council and provides complete back office services and corporate support functions to other public service organisations including several District & Borough Councils (e.g. Northampton Borough and Norwich City Council), NHS Health Bodies, Adult Social Care (e.g. Olympus Care Services) and schools.

The Statement of Accounts for LGSS will be available on the LGSS website.

Pensions

Administrative and other recharges made by the Council to the Pension Fund totalled £2.4m (2015-16 £2.2m).

Cambridge and Counties Bank

Cambridge and Counties Bank specialises in providing lending and deposit products to UK- based SME's. Its key products include business deposits, loans secured on property, secured pension lending and asset finance.

The bank has a unique structure being jointly owned by the Cambridgeshire Local Government Pension Fund and Trinity Hall College (each owning a 50% share). The current market value of the Pension Fund's investment at 31 March 2017 is £55m.

Cambridgeshire Housing Investment Company (CHIC)

The Cambridgeshire Housing Investment Company (CHIC) was incorporated in June 2016 and is wholly owned by the Council.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The closing CFR at 31 March 2017 was £702m (£685m at 31 March 2016).

2015-16 £000		2016-17 £000
	Expenditure funded from capital:	
107,452	Property, Plant and Equipment	114,924
-	Investment Properties	-
52,647	Revenue Expenditure Funded from Capital under Statute	45,584
	Sources of finance	
-6,157	Capital receipts	-766
-79,680	Government grants and other contributions	-130,495
-	Direct Revenue Contributions	-
	Sum set aside from revenue:	
-10,142	MRP/ loans fund principal	-12,413
64,120	**Increase in Capital Financing Requirement**	**16,834**
	Explanation of movements in year	
76,965	Increase in underlying need to borrow (unsupported by government financial assistance)	19,243
-12,845	Assets acquired under PFI contracts	-2,409
64,120	**Increase in Capital Financing Requirement**	**16,834**

37. LEASES

Council as Lessee:

(i) Finance Leases

The Council has acquired land and buildings, including a school, libraries and depots, under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts (excluding Waste PFI leases which are disclosed separately in the Waste PFI note (note 38)):

31-Mar-16 £000		31-Mar-17 £000
36,763	Other Land and Buildings	42,140

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding.

The minimum lease payments (MLP) and finance lease liabilities (FLL) are made up of the following amounts and will be payable over the following years:

MLP 31-Mar-16 £000	FLL 31-Mar-16 £000		MLP 31-Mar-17 £000	FLL 31-Mar-17 £000
11	5	Not later than 1 year	11	5
45	19	Later than 1 year and not later than 5 years	40	18
460	68	Later than 5 years	454	64
516	**92**	**Total**	**505**	**87**

(ii) Operating Leases

The Council has acquired a number of land and buildings, including libraries, caretaker's houses and day centres, under operating leases, with lives ranging from 1 to 999 years.

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

31-Mar-16 £000		31-Mar-17 £000
921	Not later than 1 year	722
2,441	Later than 1 year and not later than 5 years	1,678
4,257	Later than 5 years	2,998
7,619	**Total**	**5,398**

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

31-Mar-16 £000		31-Mar-17 £000
983	Minimum lease payments	806
-	Contingent rents	-
983	**Total**	**806**

NOTES TO THE CORE FINANCIAL STATEMENTS

Council as Lessor:

(i) Finance Leases

The Council has leased out playing fields, a landfill site, all Academy land and buildings and Castle Court (a lease from January 2016) under finance leases. For the non-Academy leases, the Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

In the case of Academies no debtor is recognised due to the long-term nature of the lease (125 years) and no finance income is earned by the Council (as they are leased at peppercorn rent).

The minimum lease payments (MLP) and gross investment in leases (GI) are made up of the following amounts and will be received over the following years:

MLP 31-Mar-16 £000	GI 31-Mar-16 £000		MLP 31-Mar-17 £000	GI 31-Mar-17 £000
1,266	238	Not later than 1 year	1,400	1,212
5,600	4,432	Later than 1 year and not later than 5 years	5,595	4,100
165,138	14,542	Later than 5 years	163,744	12,712
172,004	**19,212**	**Total**	**170,739**	**18,024**

(ii) Operating Leases

The Council leases out property under operating leases, primarily to schools and farms.

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

31-Mar-16 £000		31-Mar-17 £000
4,603	Not later than 1 year	4,624
14,135	Later than 1 year and not later than 5 years	13,394
21,431	Later than 5 years	18,978
40,169	**Total**	**36,636**

NOTES TO THE CORE FINANCIAL STATEMENTS

38. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Waste PFI

On 17 March 2008, the Council contracted with AmeyCespa WM (East) Limited (formerly Donarbon Waste Management Limited) to provide waste treatment and household waste facilities for the County. At the time the contract was signed, the total estimated contract payments were £730m over the 28-year contract period (termination due in 2036). An element of this payment relates to financing the construction of a Mechanical Biological Treatment (MBT) plant, with a total cost of £42m. PFI credits of £2.7m per year are received in relation to this contract.

The Council has rights under the contract to use specified assets and expect service provision for the length of the contract period, with the potential to negotiate an extension at the end of the period. Although the contractor took on the obligation to construct the MBT plant, the Council has constructed additional Recycling Centre facilities which have been added to the overall contract via formal change control. The Council will take ownership of the MBT building at the end of the contract, although the land on which the MBT is built will remain under the ownership of the contractor. Therefore, the future of the asset beyond the 28 contract years is determined in part by extension of the land lease agreement.

There is no option within the contract for renewal given the operation of the PFI mechanism, as the payment term for the asset will be complete and the payment mechanism will no longer apply. However, extension on revised terms, rather than full renewal, is accommodated in the contract after the 28 year period, and multiple termination clauses exist within the contract for both parties for factors such as contractor default, Council default, contract breach and Force Majeure etc. Council or contractor initiated change processes are defined in the project agreement and the principle of 'no better, no worse', can be applied to any and all aspects of the contract, at any level of cost or time, given the defined dispute resolution procedures and the support of appointed independent adjudicators.

For 2016-17, the following figures have been recognised in the Council's financial statements:

NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16 £000	Comprehensive Income and Expenditure Statement	2016-17 £000	
11,488	Fair Value of Services Provided	11,775	
5,074	Interest payable on the finance lease liability	5,023	
494	Repayment of Capital	1,312	
2,051	Contingent Rents	2,288	
1,842	Lifecycle replacement costs	1,076	
1,875	Depreciation	2,002	
-2,691	PFI Credits	-2,691	
31-Mar-16 £000	**Balance Sheet**	**31-Mar-17 £000**	**Movement £000**
	Assets		
17,970	Land and buildings	17,071	**-898**
2,902	Plant and equipment	1,798	**-1,104**
	Liabilities		
-	Overdraft		
-1,312	Short term finance lease liability	2,034	**3,346**
-46,976	Long term finance lease liability	-49,010	**-2,034**
	Reserves		
1,411	Revaluation Reserve	1,341	**-71**
-28,828	Capital Adjustment Account (Depreciation and Debt Provision)	-29,447	**-619**

Projected future payments over the remaining life of the Waste PFI contract are as follows:

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	12,070	4,558	-2,034	7,417	**22,011**
Within 2 to 5 years	51,373	3,038	7,717	31,556	**93,684**
Within 6 to 10 years	71,780	9,910	7,629	41,579	**130,898**
Within 11 to 15 years	81,212	8,983	12,293	45,611	**148,099**
Within 16 to 20 years	72,589	2,235	21,372	36,177	**132,373**
Total	**289,024**	**28,724**	**46,977**	**162,340**	**527,065**

NOTES TO THE CORE FINANCIAL STATEMENTS

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2015-16 £000		2016-17 £000
48,782	**Balance outstanding at start of year**	**48,288**
-494	Payments during the year	-1,312
48,288	**Balance outstanding at end of year**	**46,976**

Street Lighting PFI

The Street Lighting contract was signed with Balfour Beatty plc. on 19 April 2011, with a service start date of 1 July 2011. This contract was to replace all of the existing lighting equipment, which was beyond its design life, over the initial five years. The contract requires the service provider to maintain the whole of the County Council's lighting street stock for the full 25 years, with the service fee being funded from the Council's revenue allocations. Although the contract requires maintenance of the entire street lighting stock and replacement of existing equipment beyond its useful life, ownership of the street lighting asset is retained by the County Council.

The contract contains a number of agreed performance standards. One of the standards sets targets regarding the expected number of light replacements over a set period. Should Balfour Beatty fail to achieve this target penalty deductions are made from subsequent payments. There are no reward payments for exceeding the agreed standard.

The contract does not specify any dates of renegotiation; however the pricing mechanism does include an inflationary adjustment in April of each year to reflect changes in Retail Price Index. Upon conclusion of the 25 year contract the contract will terminate and there are no contractual clauses relating to the renewal of this agreement.

On the 14 April 2011, the Department for Transport confirmed that Cambridgeshire had been successful in its bid for Street Lighting PFI Credits and has awarded £100.3 million over the 25 years of the contract.

For 2016-17, the following figures have been recognised in the Council's financial statements:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16 £000	Comprehensive Income and Expenditure Statement	2016-17 £000	
2,539	Fair Value of Services Provided	2,394	
2,924	Interest payable on the finance lease liability	3,908	
1,659	Repayment of Capital	1,282	
35	Contingent Rents	89	
1,892	Depreciation	2,197	
-3,944	PFI Credits	-3,944	
31-Mar-16 £000	**Balance Sheet**	**31-Mar-17 £000**	**Movement £000**
	Assets		
48,898	Infrastructure	49,110	**212**
	Liabilities		
-1,282	Short term finance lease liability	-1,046	**236**
-43,153	Long term finance lease liability	-44,515	**-1,362**
	Reserves		
4,463	Capital Adjustment Account (Depreciation and Debt Provision)	3,549	**-914**

Projected future payments over the remaining life of the Street Lighting PFI contract are as follows:

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	2,627	0	1,046	4,092	**7,765**
Within 2 to 5 years	9,496	460	6,375	15,565	**31,896**
Within 6 to 10 years	14,613	3,285	8,108	15,899	**41,905**
Within 11 to 15 years	16,283	3,773	12,586	11,800	**44,442**
Within 16 to 20 years	14,377	1,877	17,446	6,318	**40,018**
Total	**57,396**	**9,395**	**45,561**	**53,674**	**166,026**

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2015-16 £000		2016-17 £000
33,249	**Balance outstanding at start of year**	**44,435**
-1,659	Payments during the year	-1,282
12,845	Capital expenditure incurred in the year	2,409
44,435	**Balance outstanding at end of year**	**45,562**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Building Schools for the Future (BSF)

On 18 May 2010, the Council entered a contract with Equitix Learning Community Partnerships to deliver school building and ICT projects. This programme includes a PFI element that comprises the following:

- Thomas Clarkson Community College – construction and ongoing Facilities Management services for the school, for which the total nominal unitary charge payments over the 25 year concession period from 4 January 2012 to 3 January 2037 will total £144.5m.

This is largely funded by PFI credits totalling £121.1m from the Department for Education, with the difference funded by school contributions and the Council's capital programme.

As Thomas Clarkson Community College converted to academy status on the 1 June 2012 (it was previously a foundation school), its assets are not recognised on the Council's Balance Sheet. However, the associated liabilities are recognised, as the contractor has met their contractual commitment and there is no recourse to the school for any future payments.

For 2016-17, the following figures have been recognised in the Council's financial statements:

2015-16 £000	Comprehensive Income and Expenditure Statement	2016-17 £000	
-596	Contribution from Schools	-613	
-4,853	PFI credits	-4,853	
782	Fair value of services provided	802	
3,339	Interest payable on the finance lease liability	3,280	
411	Contingent rents	448	
93	Lifecycle replacement costs	93	
559	Repayment of the finance lease liability	619	
31-Mar-16 £000	**Balance Sheet**	**31-Mar-17 £000**	**Movement £000**
	Liabilities		
-619	Short term finance lease liability	-684	**-65**
-30,283	Long term finance lease liability	-29,599	**684**
	Reserves		
-30,902	Capital Adjustment Account	-30,283	**619**

Projected future payments over the remaining life of the BSF contract are as follows:

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	822	93	684	3,701	**5,300**
Within 2 to 5 years	3,498	973	2,877	14,466	**21,814**
Within 6 to 10 years	4,887	1,295	5,517	17,069	**28,768**
Within 11 to 15 years	5,529	1,567	8,812	14,732	**30,640**
Within 16 to 20 years	6,256	2,436	12,393	10,068	**31,153**
Total	**20,992**	**6,364**	**30,283**	**60,036**	**117,675**

NOTES TO THE CORE FINANCIAL STATEMENTS

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2015-16 £000		2016-17 £000
31,461	**Balance outstanding at start of year**	30,902
-559	Payments during the year	-619
30,902	**Balance outstanding at end of year**	30,283

39. RETIREMENT BENEFITS

DEFINED BENEFIT PENSION SCHEMES

Participation in pension schemes

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

The Council participates in two post-employment schemes:

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

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Cambridgeshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are

NOTES TO THE CORE FINANCIAL STATEMENTS

mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.
However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

As previously stated, the Local Government Pension Scheme (LGPS) is administered locally by Cambridgeshire County Council on behalf of all participating employers. It should be noted that the following figures only represent the Council’s share as a participating employer. The figures for the entire LGPS administered by Cambridgeshire County Council are shown in the Pension Fund Accounts on pages 114-157.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16 £000	Local Government Pension Scheme	2016-17 £000
	Comprehensive Income and Expenditure Statement:	
	Cost of Services	
	Service cost comprising:	
43,619	- current service cost	36,517
255	- past service costs	944
-9,847	- gain (-)/ loss from settlements	1,365
	Financing and Investment Income and Expenditure:	
17,829	Net interest expense	17,031
51,856	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**55,857**
	Other post-employment benefits charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined benefit liability comprising:	
39,073	- Return on plan assets (excluding the amount included in the net interest expense)	-180,398
-	- Actuarial gains (-)/ losses arising on changes in demographic assumptions	-12,030
-125,748	- Actuarial gains (-)/ losses arising on changes in financial assumptions	220,808
-12,587	- Other	-19,902
-47,406	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**64,335**
	Movement in Reserves Statement:	
-19,445	- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	21,952
	Actual amount charged against the General Fund Balance for pensions in the year:	
-32,411	**Employers' contributions payable to scheme**	**-30,697**
37,024	**Retirement benefits payable to pensioners**	**42,731**

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2015-16 £000		2016-17 £000
-1,281,205	Present value of the defined benefit obligation	-1,522,315
801,767	Fair value of plan assets	1,012,447
-479,438	Net liability arising from defined benefit obligation	**-509,868**

Reconciliation of the movements in the fair value of scheme (plan) assets

2015-16 £000		2016-17 £000
817,668	**Opening fair value of scheme assets**	**801,767**
26,009	Interest income	28,136
	Remeasurement gain/ loss (-):	
-39,073	- Return on plan assets (excluding the amount included in the net interest expense)	180,398
-7,025	- Effect on settlements	2,250
32,411	Contributions from employer	33,905
8,801	Contributions from employees into the scheme	8,722
-37,024	Benefits paid	-42,731
801,767	**Closing fair value of scheme assets**	**1,012,447**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2015-16 £000		2016-17 £000
1,376,923	**Opening balance at 1 April**	**1,281,205**
43,619	Current service cost	36,517
43,838	Interest cost	45,167
8,801	Contributions from scheme participants	8,722
	Remeasurement gains (-)/ losses:	
-	- Actuarial gains (-) arising on changes in demographic assumptions	-12,030
-125,748	- Actuarial losses arising on changes in financial assumptions	220,808
-12,587	- Other	-19,902
255	Past service cost (including curtailments)	944
-37,024	Benefits paid	-42,731
-16,872	Liabilities extinguished on settlements	3,615
1,281,205	**Closing balance at 31 March**	**1,522,315**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprise:

2015-16 £000		2016-17 £000
16,423	**Cash and cash equivalents**	28,924
	Equity Instruments (by industry type):	
18,727	- Consumer	27,173
15,667	- Manufacturing	17,607
13,672	- Energy and Utilities	23,371
29,680	- Financial Institutions	41,031
12,775	- Health and Care	10,748
6,436	- Information Technology	4,470
-	- Other	-
96,957		**124,400**
62,333	**Private Equity**	88,076
-	**Debt Securities (Bonds)** - Government	27,283
	Investment Funds and Unit Trusts:	
435,717	- Equities	569,677
121,321	- Bonds	106,803
69,016	- Other	67,285
626,054		**743,765**
801,767	**Total Assets**	**1,012,447**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis as an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16 £000		2016-17 £000
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.5	- Men	22.4
24.5	- Women	24.4
	Longevity at 65 for future pensioners:	
24.4	- Men	24.0
26.9	- Women	26.3
2.2%	Rate of inflation	2.4%
4.2%	Rate of increase in salaries	2.7%
2.2%	Rate of increase in pensions	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%

It should be noted that the rate of increase in salaries is the actuarial assumption of the rate of increase over a long term period, and not the actual value of annual pay increases received by staff.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting year and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. Longevity assumptions are made in respect of increases or decreases in life expectancy. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous year.

	Impact on the Defined Benefit Obligation in the Scheme £000
0.5% decrease in inflation/discount rate	146,629
0.5% increase in salary rate	17,966
0.5% increase in pension increase rate	126,927

A one year increase in life expectancy would increase the Employers defined benefit obligation by an estimated 3% - 5%

The Council is anticipated to pay £33.4m employer contributions to the scheme in 2017-18.
The weighted average duration of the defined benefit obligation for scheme members is 17.9 years.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers' pension schemes costs

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016-17, the Council paid £12.8m to Teachers' Pensions in respect of teachers' retirement benefits (2015-16 £12.7m). There were no contributions remaining payable at the year-end:

2015-16 £000		2016-17 £000
12,745	Employer's contributions	12,815
7,414	Employee contributions	7,017
20,159	**Total paid to Department For Education**	**19,832**

These amounts reflect contributions at the following rates:

2015-16 %		2016-17 %
16.48	Employer contribution	16.48
	Employee contributions (pensionable pay based on salary bandings):	
7.4	£0 - £25,999	7.4
8.6	£26,000 - £26,259	7.4
8.6	£26,260 - £34,999	8.6
9.6	£35,000 - £35,349	8.6
9.6	£35,350 - £41,499	9.6
10.2	£41,500 - £41,914	9.6
10.2	£41,915 - £54,999	10.2
11.3	£55,000 - £55,549	10.2
11.3	£55,550 - £74,999	11.3
11.7	£75,000 - £75,749	11.3
11.7	£75,750+	11.7

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

The Council is not liable to the scheme for any other entities obligations under the plan.

40. CONTINGENT LIABILITIES

The Council is involved in a number of legal claims and actions. Only some of these claims and actions are expected to lead to any liabilities or losses being incurred by the Council.

The likely liability and loss to the Council arising from legal claims and actions is determined on an actuarial basis, based on prior years' experience and details of known claims and actions. Appropriate amounts are set aside within the Insurance Reserve to cover the assessed likely cost of such matters over the year in which they are likely to be settled. Provision is made in the Balance Sheet for those claims and actions where the Council can reasonably foresee that liabilities or losses will be incurred.

The assessment of the likely liability and loss to the Council necessarily involves assumptions as to the likely outcome of claims and actions and the nature and extent of events which may have occurred at the Balance Sheet date, but of which the Council is not yet aware. Accordingly, the actual liabilities arising from events that have occurred prior to the Balance Sheet date could exceed or be less than the amount that has been set aside to cover such matters.

Guided Busway

The Council is currently in dispute with the contractor (BAM Nuttall) who delivered the Guided Busway capital scheme. The dispute relates to the rectification of defects that have already been identified within the infrastructure and the likelihood of further defects that could arise in the future. It is not practicable, at this point, to estimate with any degree of certainty the potential liability that may be incurred by the Council in the eventuality that legal action arises as a result of this dispute. The issues involved in this matter are complex and negotiations with the contractor are ongoing. As a result no amounts have been included in the accounts to cover the potential liabilities associated with this action.

Accounting for Landfill Sites

Decommissioning/ restoration costs at landfill sites should be professionally assessed (and reviewed every 5 years). These anticipated costs should then be amortised over the assets lifetime up to the point of decommissioning, reflecting the cost of restoration up to the point the restoration is required. As a result, a suggested approach to mitigate the impact of these costs on the total comprehensive income and expenditure position is to create a specific provision.

The Council currently has 3 operational landfill sites leased out to a third party operator. The planning permissions for the completion of the filling of the landfill void and subsequent restoration works at these sites range from 2020 to 2026.

NOTES TO THE CORE FINANCIAL STATEMENTS

Under the terms of the leases the responsibility for environmental matters rests with the lessee until the end of the lease period. The leases expire in 2091. The Council does not expect to incur any costs before this date.

Property Searches

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the Property Search Companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability.

41. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Refinancing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measurers as interest rates or stock market movements.

Overall Procedures for Managing Risk

The Council'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 central treasury team within LGSS, 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.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

NOTES TO THE CORE FINANCIAL STATEMENTS

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The full Investment Strategy for 2016/17 was approved by Full Council in February 2016 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments of £40.454m cannot be assessed generally as the risk of any institution failing to make interest payments or repay; the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

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 and bonds.

Customers for the Council's goods and services are assessed for their ability to pay in accordance with parameters set by the Council. The Council does not allow credit for its trade receivables beyond the standard 30-day period and makes prudent financial provision for bad debts based on an assessment of each type of debt and the age of those debts.

Outstanding invoices due but not impaired can be analysed by age as follows:

31-Mar-16 £000		31-Mar-17 £000
3,669	Less than three months	2,638
966	Three to six months	1,081
1,239	Six months to one year	10,887
2,037	More than one year	2,876
7,911	**Total**	**17,482**

During the reporting year the Council held no collateral as security.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board (PWLB) and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing (£40.454m) are due to be paid in less than one year.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investment placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows (note this reflects loan principal, not accrued interest), with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

31-Mar-16 £000	Debt maturity (lower/upper limits as % of debt)	Approved limit %		31-Mar-17 £000
48,928	Less than 1 year	0 – 80	(28%)	125,899
4,000	1-2 years	0 – 50	(3%)	11,443
13,182	2-5 years	0 – 50	(8%)	34,611
102,811	5-10 years	0 – 50	(15%)	67,961
192,607	10 years and above	0 – 100	(46%)	202,505
361,528	**Total**			**442,419**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis above is based on the earliest date the loans can be repaid. For Lender Option Borrower Option (LOBO) loans this is considered to be the next options date.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services 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 Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	354
Increase in interest receivable on variable rate investments	(386)
Impact on Surplus or Deficit on the Provision of Services	**(32)**
Decrease in fair value of fixed rate investment assets	0
Impact on other Comprehensive Income and Expenditure	**(32)**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**(78,384)**

NOTES TO THE CORE FINANCIAL STATEMENTS

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk – The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds but does hold an equity stake in the newly formed Municipal Bonds Agency PLC. This investment is a policy investment, rather than treasury management investments and is not material. The investment is disclosed in the Council's Balance Sheet at cost, as a long term investment and annual impairment review are carried out to determine if cost is still appropriate.

Foreign exchange risk – The Council has not financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

42. HERITAGE ASSETS: Further Information on the Council's collections.

Cambridgeshire Archives

The archives collections held by Cambridgeshire Archives include original historical documents relating to the area covered by the modern county of Cambridgeshire, and are made available to the public in two record offices: at Shire Hall and Huntingdon Library and Archives. The purpose of preserving these records is so that members of the public may consult them, which is allowed within supervised reading rooms. Further records are currently held at an out-store in Cottenham.

A catalogue of the collection is available publically through the internet and contains details of at least 366,000 items. There are many thousands of other historical documents which are still to be catalogued.

Governance

The authority to hold Public Records comes from The National Archives, which regularly inspects CALS to ensure that working practices and policies are maintained.

Major stakeholders, including the owners of some large collections, are represented on the County Advisory Group for Archives and Local Studies (CAGALS). This Group meets three times a year to oversee the management and direction of the archives service and to give its advice where necessary.

Storage and preservation

The archival collections are held in secure, environmentally-monitored strong rooms. The strong rooms in the basement of Shire Hall, Cambridge, do not meet the current standard and we were informed by The National Archives that they expected the Council to find alternative storage. As such the Council is working on a project to convert the former Strikes bowling alley building in Ely to an archives repository, with the intention of moving there the records held in Shire Hall basement and in Cottenham out-store. The move to Ely is likely to take place in 2018. The strong room at Huntingdon Library and Archives does meet the expected standard.

Cambridgeshire Archives has a conservation studio in which damaged or very fragile documents are repaired. The service also operates a digitisation and photography unit which takes high quality digital images of selected historical documents. The creation of these images reduces the need for the originals to be consulted, thereby assisting in their preservation.

NOTES TO THE CORE FINANCIAL STATEMENTS

Status of acquisitions
A detailed survey in 2016 identified that Cambridgeshire Archives holds about 460 cubic metres of archives in Shire Hall basement, 300 cubic metres in Cottenham out-store, and 190 cubic metres at Huntingdon.

The majority of acquisitions are made by long term or permanent deposit; the service does not own them, but there is an expectation that the owners will not request the documents' return. A minority of acquisitions are made by purchase or donation or by transfer from the Cambridgeshire County Council department which has created them. All assets are deemed to be kept permanently, irrespective of their status as deposit, transfer, donation or purchase.

No market valuations are made at time of accession, as the Council does not consider that reliable valuation information can be obtained given the lack of any comparable market values. The vast majority of other historical documents of comparable scope and importance are already held by other county record offices and therefore do not appear on the market. The only recent acquisitions for which the service has definite valuations are those which have been acquired through purchase, or occasionally through donation where a third party has paid for the cost of purchase. Reference is made to recent instances in note 14.

Local Studies
The service also used to include the Local Studies collections in Libraries. Whereas the archives service preserves historical documents, the Local Studies team preserves printed and published material (some of which can still be very old). About 290 cubic metres of local studies materials are held at the Cambridgeshire Collection in Cambridge Central Library. These items are now managed as part of the Libraries service.

The Cromwell Museum
The Cromwell Museum contains over 600 objects including: arms and armour; books and documents; coins, medals and seals; costume; images; paintings; and prints. The majority of the collection is owned, and the Museum makes and receives loans from the descendants of Cromwell and other museums. During 2016-17 the management of the Museum has moved across to an independent charitable trust. Further information can be found on the museum’s website:
http://www.cromwellmuseum.org/

Archaeology and Monuments
The archaeology collection principally consists of around 11,000 boxes of material excavated in the county since 1992, with partial coverage from before that date. These archives are transferred to the council’s ownership at time of deposition. The contents of these archives date from all periods of human activity from the late lower Palaeolithic to present day.

Notable highlights of the collection include assemblages from the earliest origins of the county’s cities and towns, including Cambridge, Ely and Huntingdon. We also store c.1500 human skeletons (all older than

NOTES TO THE CORE FINANCIAL STATEMENTS

100 years) from several important cemetery excavations, along with associated grave goods on many instances.

As set out in the summary of significant accounting policies, the Council does not consider that reliable cost or valuation information can be obtained for these items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. The value of these assets lies in their research and outreach use.

The majority of the archaeology collection has been relocated to Deepstore, Winsford, in Cheshire, as it is considered a more suitable and effective storage environment. Access is permitted to scholars and others for research purposes on request. Conservation, retention, preservation and use strategies of the archaeology collections are the responsibility of the Council's Historic Environment Team. This team also arranges safe storage of the collection, and maintains the publically accessible Cambridgeshire Historic Environment Record, which records 19,000 monuments, events and finds within the County.

The cost of preservation of archaeological assets held in store is £18,000 per annum.

The Council has identified certain significant scheduled monuments or listed buildings which are preserved to support future knowledge and culture. Where the primary use of the wider site is for farming no reclassification to heritage asset status has been made. This is the case in 5 instances: Devil's Ditch, Stonea Camp, Worts Meadow, Giant's Hill and Car Dyke.

Similarly, the Council has considered Cambridge Castle and Civil War Defences, which have historical value but are primarily held as a component of otherwise operational sites.

The Council considers that Gransden Mill and Ramsey Ice House meet the definition of a community asset, although they also contribute to the preservation of culture. However, Gransden Mill is currently actually held as a surplus asset as the Council is looking to transfer it to a local community group.

Art Collection

The art collection consists of 381 paintings, prints, drawings and photographs. The primary use of the collection is by Cambridgeshire schools to support and enrich the curriculum. Requests for works can be made by schools through the Council's website. The average insurance valuation per work is £363. Administration of the collection is undertaken by Council staff within Children's Services.

Civic regalia

There are chains of office attached to the positions of Chairman and Vice-Chairman of the Council, and their respective consorts, which are worn in the conduct of official duties. There are a number of other sundry items which decorate the ceremonial areas of Shire Hall. The financial value of these items is not known.

NOTES TO THE CORE FINANCIAL STATEMENTS

43. PRIOR PERIOD ADJUSTMENT

Upon the preparation of the 2016-17 Statement of Accounts it was ascertained that although an NNDR appeals provision was accounted for 2015-16, this was incorrectly recorded against Short Term Creditors rather than Long Term Provisions. This has been corrected accordingly.
The impact on the 2015-16 balances is as follows:

Balance Sheet	31-Mar-16 £000	31-Mar-16 (Restated) £000	Movement £000
Short Term Creditors	-97,669	-95,066	2,603
Current Liabilities	**-120,923**	**-118,320**	**2,603**
Long Term Provisions	-3,613	-6,215	-2,603
Long Term Liabilities	**-1,002,199**	**-1,004,802**	**-2,603**

Cambridgeshire County Council

APPENDIX 1- ACCOUNTING POLICIES

ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2016-17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2016-17* and the *Service Reporting Code of Practice 2016-17 (SeRCOP)*, supported by *International Financial Reporting Standards (IFRS).* The accounts are prepared on a historical cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of certain categories of property, plant and equipment. The accounting policies have been consistently applied where appropriate.

BASIS OF ACCOUNTING

The following accounting concepts have been applied in preparing the accounts:

- Relevance: the information in the accounts is useful in assessing the Council's performance;
- Reliability: the information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors;
- Comparability: a consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this has been disclosed. Application of the terms of the Code and SeRCOP ensure comparability;
- Understandability: the Council endeavours to ensure that an interested reader can understand the accounts;
- Materiality: in using its professional judgment, the Council considers the size and nature of any transaction, or set of transactions. An item is considered material where its omission or misstatement would reasonably change the substance of the information presented in the accounts;
- Going Concern: the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future;
- Primacy of Legislative Requirements: the Council operates through the power of statute. Where legislation prescribes the treatment of transactions, then the accounting concepts outlined above may not be applied.

ACCRUALS OF INCOME AND EXPENDITURE

Revenue accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the year in which goods and services are received and, similarly, income is credited in the year to which it relates, regardless of the timing of cash payments or receipts. For example, accrued income is recognised where an amount is earned in the current accounting year, but is expected to be received in a subsequent year. Deferred income reflects any income which has been received in advance of it being earned, and is recognised when it can be matched with the year in which it is earned.

APPENDIX 1- ACCOUNTING POLICIES

Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment category refers to assets that are expected to be used for more than one year. All expenditure on the acquisition, creation, or enhancement of property, plant and equipment has been capitalised on an accruals basis, subject to the following accounting policies.

Recognition

New acquisitions are brought into the accounts at cost within the appropriate Property, Plant and Equipment balance and are then revalued during the following year. Expenditure on construction of new assets is also brought into the accounts at cost and included either within the Infrastructure category or Assets Under Construction. For capital schemes held within Assets Under Construction, once all the assets which are created or enhanced by a capital scheme become operational, the value is transferred to the appropriate category of Property, Plant and Equipment. Assets costing less than £10,000, or revalued to less than £10,000 and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement.

The assets of local authority maintained schools are recognised in the Council's financial statements, subject to the usual accounting requirements for long-term assets. Therefore, if there are any specific arrangements in place whereby the control of the asset does not lie with the local authority, then the asset will not be recognised. The Council reviews all schools on an individual basis to determine where the control lies; at present, all community schools are held within the Council's Balance Sheet, whereas all academy schools are not. The Council transfers academy school assets on a 125-year lease, and as such they are subject to lessor finance lease policies (see leases policy, pages 107-108). Long-term assets of foundation schools governed by a separate trust with no local authority control present are not consolidated, along with the long-term assets of most voluntary aided and voluntary controlled schools. This is due to the legislation contained within the School Standards and Framework Act 1998, as amended, that stipulates all non-playing field land shall be transferred by the local authority to the relevant diocese or trust. Only where there are specific lease, or other arrangements in place, does the Council hold the assets of these schools on the Council's Balance Sheet.

Cambridgeshire County Council

APPENDIX 1- ACCOUNTING POLICIES

Measurement

The Council carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at current value is reviewed at least every five years. In order to ensure that values are kept in line with current values, in the interim the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. This analysis involves a) a desktop valuation of assets over a certain value, b) a market review undertaken by the Council's external valuers, and if necessary, c) an indexation analysis that includes an assessment of when a depreciated replacement cost asset was last revalued and application of an index to it based on Building Cost Information Service (BCIS) forecasts and land value estimations for every year since the asset was last revalued.

Assets contained within Property, Plant and Equipment required to be measured at fair value are revalued every year. The effective date of revaluation for the rolling programme and all Surplus Assets is 1 April at the commencement of the year in question, however as part of the material misstatement exercise, some assets are revalued again as at 31 March of the year in question and are potentially adjusted for indexation between 1 April and 31 March.

Infrastructure, Community Assets, and Assets Under Construction have been included in the Balance Sheet at historical cost. The cost therefore includes the original purchase price of the asset and the costs attributable to bringing the asset to a working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The value of Infrastructure assets within the accounts includes a lump sum removal in 1998 when Peterborough City Council was formed, becoming independent of Cambridgeshire County Council. This lump sum is not broken down on an asset-by-asset basis. Other additions and enhancements are recorded at cost on a project-by-project basis rather than by asset, therefore additions and enhancements may relate to a number of individual Infrastructure assets.

Land and Building assets and Vehicles, Plant, Furniture and Equipment assets have been included in the Balance Sheet at their current value. The valuation of the farms estate, included within the Land and Building figures, is based on a discounted cash flow of future rental income and capital receipts. Assets identified as surplus to requirements are measured at fair value based on highest and best use. Assets that are subject to part disposals are revalued in the year of disposal.

Assets held at current or fair value are split into land and building components, with the building element further subdivided in order to be depreciated over appropriate estimated useful lives. The four building components used are Roof, Structure, Machinery and Equipment, and Externals.

Depreciation

Land is held at current value and not depreciated. Property, Plant and Equipment assets other than land, are depreciated over their useful economic lives using the straight-line method. An exception is made regarding depreciation for assets without a determinable finite useful life (i.e. Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is applied using

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the following month convention, where depreciation is not charged in the month of acquisition but a full month's depreciation is charged in the month of disposal.

Useful economic lives for depreciating Property, Plant and Equipment assets are as follows:

- Buildings (including Surplus Assets) – 5 to 50 years, in line with the Council's componentisation policy which specifies different useful economic lives according to the type and condition of the component;
- PFI schemes only: Vehicles, Plant, Furniture and Equipment– 3 to 26 years; (Vehicles, Plant, Furniture and Equipment outside of PFI schemes are not capitalised)
- Infrastructure – 40 years.

Upon a review of asset lives, depreciation is calculated over the revised remaining useful life of the asset.

FAIR VALUE MEASUREMENT

The authority measures some of its non-financial assets such as Surplus Assets and Investment Properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

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- Level 3 – unobservable inputs for the asset or liability.

CAPITAL ACCOUNTING

Two reserve accounts are required in the Council's Balance Sheet for capital accounting adjustments:

- **The Revaluation Reserve** - this contains the balance of the surpluses or deficits arising on the periodic revaluation of property, plant and equipment. The Revaluation Reserve contains only gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account;

- **The Capital Adjustment Account** - this absorbs the timing differences arising from the different arrangements for accounting for the consumption of property, plant and equipment and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement, via charges for depreciation, impairment losses and amortisations which are initially debited to the Comprehensive Income and Expenditure Statement. These are then transferred in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account. Reconciling postings from the Revaluation Reserve convert the fair value figures to a historical cost basis. The account is also credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The above accounts are not available to fund future expenditure.

CAPITAL RECEIPTS

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Any receipts from disposals, net of costs of disposal, are also credited to the Comprehensive Income and Expenditure Statement. Costs associated with disposal can be funded from the associated capital receipt as long as they are less than 4% of the value of the proceeds. Any disposal costs over this level must therefore be funded by revenue.

The gain, or loss, on the disposal of a long-term asset is the amount by which the disposal proceeds, net of disposals costs, are more (gain) or less (loss) than the balance sheet value of the long-term asset. Any previous revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account on disposal.

Income that is not reserved for the repayment of external loans, and has not been applied in financing capital expenditure, is shown on the Balance Sheet within the Usable Capital Receipts Reserve.

CHARGES TO REVENUE FOR LONG-TERM ASSETS

Revenue accounts are debited with the following amounts to record the real cost of holding long-term assets during the year:

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- Depreciation attributable to the assets used by the relevant service (as per the Depreciation policy on page 99);
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible long-term assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses, or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (see the Debt Redemption policy on page 112). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Some expenditure is incurred during the year that may be treated as capital under statutory provisions but does not result in the creation of a long-term asset (e.g. expenditure on academy schools). Instead of capitalising this expenditure, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources, those resources are also credited to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of expenditure by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

HERITAGE ASSETS

Heritage Assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets. The Council holds these assets principally for future generations because of their contribution to knowledge, the environment and the culture of the County.

The code requires authorities to recognise heritage assets where the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining this information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Council's Balance Sheet but commentary is included in the notes to the financial statements. Where valuations are made, an appropriate method is adopted; this may include, for example, insurance valuations of museum collections.

The Council’s different classes of Heritage Assets are treated as follows:

- Archives collections – recognised in the Balance Sheet at insurance valuation where available;
- Museum collections – recognised in the Balance Sheet at insurance valuation;
- Art works – recognised in the Balance Sheet at insurance valuation;

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- Archaeological artefacts and ecofacts – not recognised on balance sheet due to a lack of reliable valuation information;
- Civic regalia – not recognised on balance sheet due to being considered as immaterial and a lack of reliable valuation information.

The Council reviews the carrying amounts of heritage assets carried at valuation on a yearly basis to ensure they remain current. Depreciation is not charged on heritage assets which have indefinite lives, but impairment reviews are carried out where there is physical deterioration or if new doubts as to the authenticity of the Heritage Asset exist.

INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

FINANCIAL LIABILITIES

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Financial liabilities are initially measured at fair value and subsequently carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However where repurchase has taken place, as part of a restructuring of the loan portfolio that involves the modification or exchange of existing financial instruments, the premium or discount is respectively deducted from, or added to, the amortised cost of the new or modified loan. The write-down to the

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Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

FINANCIAL ASSETS

Financial assets are classified as loans or receivables that have fixed or determinable payments but are not quoted in an active market.

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

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 relevant service (for receivables specific to that service) or the ‘Financing and investment income and expenditure’ line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the ‘Financing and investment income and expenditure’ line in the Comprehensive Income and Expenditure Statement.

GOVERNMENT GRANTS

Government grants, and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions. There are two types of stipulations; conditions and restrictions:

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- Conditions are stipulations that specify that the future economic benefits or service potential embodied in transferred assets are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor;
- Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation). However, if recovery of the grant/ donation is only possible indirectly by, for instance, legal action for breach of contract or withholding payment of other monies due separately to the Council without a right to have done so, then this will amount to a restriction rather than a condition.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure it is posted to the Capital and Contributions Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants and Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

COUNCIL TAX

In England, billing authorities act as agents on behalf of major preceptors in collecting council tax. This is because the legislative framework for the Collection Fund states that billing authorities and major preceptors share proportionately:

- the risks and rewards that the amount of council tax collected could be less or more than predicted;
- the effect of any bad debts written off;
- the movement in the impairment provision.

The Council, as a major preceptor, is therefore required to include the appropriate share of the Council Tax receivables in its Balance Sheet as well as an appropriate share of the Collection Fund surplus / deficit for the year within its Comprehensive Income and Expenditure Statement.

LONG-TERM CONTRACTS

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

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PRIVATE FINANCE INITIATIVE (PFI) SCHEMES

PFI contracts are agreements to receive services, where the responsibility for making available the long-term assets needed to support the delivery of those services passes to the PFI contractor in return for an annual fee. The Code of Practice requires that PFI contracts are accounted for in a manner consistent with the adoption of *International Financial Reporting Interpretations Committee (IFRIC) 12: Service Concession Arrangements* as contained in the Government's *Financial Reporting Manual (FreM),* and means that assets and liabilities are recognised on the Council's Balance Sheet where the Council substantially controls the use of the assets involved and any associated residual interest. As the Council is deemed to control the services that are provided under its PFI schemes and, as the ownership of the property, plant, and equipment will pass to the Council at the end of the contract, the Council carries the long-term assets used under the contracts on the Balance Sheet in line with the requirements of *IFRIC 12*.

The original recognition of these assets is at historical cost the year after they are made available for use, and when revalued, at current value in existing use. This is matched by the recognition of an equivalent liability for amounts due to the scheme operator to pay for the capital investment. PFI assets are revalued and depreciated in the same way as any other property, plant, and equipment owned by the Council.

Annual unitary charges that are paid by the Council to PFI operators can be analysed into five elements:

- Current value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability calculated by applying the implicit interest rate in the lease to the opening lease liability for the year. This is debited to the 'Financing and investment income and expenditure' line;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the 'Financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement;
- Payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator;
- Life cycle replacement costs – this refers to the replacement of individual components within the PFI asset portfolio to ensure that the condition of the whole property meets the agreed standard throughout the life of the PFI contract. A proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Prudent provision for PFI schemes is made within the annual unitary charge, based on the part of the unitary payment that goes to write down the matching liability for assets recognised on the Balance Sheet.

Central government support for PFI schemes is in the form of PFI credits. These are a measure of the private sector investment which is supported by central government departments and are a promise that PFI revenue grant can be claimed once the project is operational. The level of PFI credits

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determines the amount of grant that can be claimed by the Council, which is calculated as an annuity based on the level of PFI credits and the contract length. (Further detail on the PFI contracts is given in the PFI note, note 38.)

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Council as Lessee

Finance leases

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

As with other long-term assets, the Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue towards the deemed capital investment in accordance with statutory requirements (see the Debt Redemption policy). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Operating leases

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

Council as Lessor

Finance leases

Where the Council grants a finance lease on a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying

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amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property (applied to write down the lease debtor (together with any premiums received)), and finance income.
However, in the case of academy schools the Council does not recognise a long term debtor on the Balance Sheet. This is because the assets are transferred as 125 year leases which is deemed too long to be certain of any receivable value at the end of the lease period.

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

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

Operating leases

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

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are 'adjusting' and 'non-adjusting' events, both favourable and unfavourable, that occur between the end of the reporting year and the date when the Statement of Accounts is authorised for issue.

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An 'adjusting' event is where evidence of the conditions of that event existed at the Balance Sheet date. A 'non-adjusting' event is indicative of conditions that arose after the Balance Sheet date, but prior to the issue of these accounts.

Material events that relate to conditions that did not exist at the Balance Sheet date are disclosed by way of a note to the financial statements.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand, and deposits, with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement cash, and cash equivalents, are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

POST EMPLOYMENT BENEFITS

The majority of employees of the Council are members of two separate pension schemes:

- **The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE);
- **The Local Government Pension Scheme**, administered by Cambridgeshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Council.

The Teachers' Pension Scheme

The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme as follows:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions

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about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;

- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – market value
  - unquoted securities – professional estimate
  - unitised securities – average of the bid and offer rates
  - property – market value;
- The change in the net pension liability is analysed into service cost and remeasurement components.

Service Cost elements comprise:

- **Current service cost**: the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- **Past service cost**: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement;
- **Net interest on the net defined benefit liability** (i.e. the net interest expense for the Council) – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the year, taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments.

Remeasurements comprise:

- **Expected return on plan assets**: excluding amounts included in the net interest on the net defined benefit liability. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **Actuarial gains and losses**: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- **Contributions paid to the pension fund**: cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year-end.

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OVERHEADS AND THE ALLOCATION OF SUPPORT SERVICE COSTS

The CIPFA Code now allows the Council to present the Cost of Services section of its Comprehensive Income and Expenditure Statement (CIES) on a Directorate basis, to mirror the Council's internal reporting structure. The requirement to use the SeRCOP Service headings prescribed by CIPFA has been removed from the Code.

As support service and overheads costs are reported under the Corporate Services, Assets & Investments, LGSS Managed and LGSS Operational Directorate headings in the Council's monthly Integrated Resources and Performance Reports (IRPR), they will also be presented on this basis within the Statement of Accounts. Therefore the cost of overheads and support services are no longer reapportioned within the Council's Statement of Accounts. Instead the costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and recorded against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. The Council's reserves are categorised as follows:

- **Usable reserves** - those reserves that contain resources that an authority can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on exactly what the resources can be applied to. The Council's usable reserves include the General Fund balance and Earmarked reserves;

- **Unusable reserves** – those that an authority is not able to utilise to provide services. This category of reserves includes:
  - Reserves that hold unrealised gains and losses (the Revaluation Reserve), where amounts will only become available to provide services (or limit resources in the case of losses) once the gains/ losses are realised as the assets are disposed of.
  - Adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards as adopted by the Code. The accounts will carry either a debit balance (showing that the Council is required by statute to fund its expenditure more slowly than accounting standards would expect) or a credit balance (where the Council has set resources aside under statute earlier than accounting standards require). Examples of this category of reserves are the Capital Adjustment Account, Pensions Reserve and the Accumulated Absences Account.

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DEBT REDEMPTION

The Council is required to make a provision for the repayment of debt in accordance with guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

A change in policy was introduced in 2015-16 for the proportion of the provision that relates to the historic debt liability that had accumulated to 31st March 2010. Up until 2014-15 this element of the provision was calculated using Option 1 of the Guidance, the “Regulatory Method”, which based the calculation on 4% of the Capital Financing Requirement, amended for Adjustment A, on a reducing balance basis. From 2015-16 this debt liability will be provided for using an annuity calculation methodology, allowable under the DCLG Guidance.

Capital expenditure incurred from 2010-11 onwards will be subject to MRP in the year after the asset has become operational. MRP will be provided for under Option 3 of the DCLG Guidance and will be based on the estimated useful life of the assets, using the equal annual instalment method.

Estimated life periods will be determined under delegated powers. To the extent that expenditures do not create an asset and are of a type that are subject to estimated life periods that are referred to in the guidance, these estimated life periods will generally be adopted by the Council. In view of the variety of types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.

The policy will be reviewed annually to ensure prudence is achieved from using the options available and the option to delay charges until the year after the asset comes into operation (the MRP holiday) will be used where applicable.

Where it is considered prudent to do so, non-operational assets will be excluded from the MRP calculation and any under or over provisions that are identified for previous years will be taken into consideration in the calculation of the current year’s provisions and adjusted accordingly.

PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will probably require settlement by a transfer of economic benefits or service potential, and where a reliable estimate can be made of the amount of the obligation.

Provisions are presented on the face of the Balance Sheet as either current or non-current liabilities. Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements

APPENDIX 1- ACCOUNTING POLICIES

are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events that may or may not be incurred by the Council depending on the outcome of one or more uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed as a note to the financial statements.

VALUE ADDED TAX (VAT)

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

PENSION FUND

PENSION FUND

PENSION FUND

The Cambridgeshire Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The Fund is governed by the Public Services Pensions Act 2013 and is administered in accordance with the following secondary legislation:

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area.

The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

Further details can be accessed on the Cambridgeshire Fund's website at the following link:

http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/

INTRODUCTION

1.1 The following comprises the Statement of Accounts for the Cambridgeshire County Council Pension Fund. The accounts cover the financial year from 1 April 2016 to 31 March 2017.

1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.

1.3 The accounts are set out in the following order:

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which gives supporting accounting policies, detail and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

Cambridgeshire County Council

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

31-Mar-16 £000 (Re-presented)		Notes	31-Mar-17 £000
	Dealings with members, employers and others directly involved in the fund:		
118,843	Contributions	7	125,448
8,735	Transfers in from other pension funds	8	3,292
127,578			128,740
(92,374)	Benefits	9	(98,387)
(5,315)	Payments to and on account of leavers	10	(10,421)
(97,689)			(108,808)
29,889	**Net additions/(withdrawals) from dealing with members**		19,932
(14,756)	**Management Expenses**	11	(15,163)
15,133	**Net additions/(withdrawals) including fund management expenses**		4,769
	Returns on investments:		
31,599	Investment income	12	30,147
(31)	Taxes on income	13	-
(54,128)	Profit and losses on disposal of investments and changes in the market value of investments	14a	542,371
(22,560)	**Net return on investments**		572,518
(7,427)	**Net increase/(decrease) in the net assets available for benefits during the year**		577,287
2,283,718	**Opening net assets of the scheme**		2,276,291
2,276,291	**Closing net assets of the scheme**		2,853,578

Comparative figures for 2015-16 have been re-presented to show a revised classification of investment manager fees. See page 130.

Notes on pages 119 to 157 form part of the financial statements.

Cambridgeshire County Council

PENSION FUND
NET ASSET STATEMENT

31-Mar-16 £000		Notes	31-Mar-17 £000
2,244,617	Investment assets		2,814,423
(1,006)	Investment liabilities		(1,137)
2,243,611	**Total net investments**	14	2,813,286
43,765	Current assets	21	46,173
(13,613)	Current liabilities	23	(7,777)
30,152	**Net Current Assets**		38,396
2,528	Non-current assets	22	1,896
2,276,291	**Net assets of the Fund available to fund benefits at the end of the reporting period**		2,853,578

Notes on pages 119 to 157 form part of the financial statements.

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2016-17 and the underlying statutory powers underpinning the scheme.

General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and fire-fighters are not included as they come within other national pension schemes.
The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Cambridgeshire Pension Fund include:

- Scheduled bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

NOTES TO THE PENSION FUND ACCOUNTS

As at 31 March 2017 there are 182 (2016: 191) active employer within the Cambridgeshire Pension Fund, including the County Council itself. Active employers include multiple academy trusts counted as a single employer. Looking through these multiple arrangements the total number of underlying organisations as at 31 March 2017 was 245 (2016: 243), an increase of 2. The Fund has over 77,000 individual members, as detailed below:

Cambridgeshire Fund	31-Mar-17	31-Mar-16
Number of employers with active members	182	191
Number of employees in scheme:		
County council	10,907	11,166
Other employers	15,878	15,578
Total	**26,785**	**26,744**
Number of Pensioners:		
County council	8,165	7,676
Other employers	9,138	8,493
Total	**17,303**	**16,169**
Deferred pensioners:		
County council	16,484	15,456
Other employers	16,751	15,433
Total	**33,235**	**30,889**
Total members	**77,323**	**73,802**

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2017. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2016. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

NOTES TO THE PENSION FUND ACCOUNTS

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 31 April 2008 to 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up the 50/50 option and pay proportionately lower contributions. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at One Angel Square, Angel Street, Northampton NN1 1ED or online at pensions.cambridgeshire.gov.uk.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund’s transactions for the 2016-17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in/out are accounted for on an accruals basis when the associated liability is accepted by the receiving scheme.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income

i) *Interest income*
Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) *Dividend income*
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) *Distributions from pooled funds*
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

iv) *Movement in the net market value of investments*
Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

v) Stock lending
Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty ("Borrower"), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

Fund Account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities and paid in the following month.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses* (2016).

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

NOTES TO THE PENSION FUND ACCOUNTS

In 2016-17 there has been a change in presentation of investment manager expenses as follows:-

(i) Management fees charged as a deduction from the net asset value of pooled funds are now reported as investment management expenses and the return on investments is grossed up accordingly;

(ii) Transaction costs including brokerage fees and UK stamp duty incurred by segregated managers that had previously been reported within the cost of purchases or deducted from proceeds of sale of an investment are now reported within investment expenses and the cost of investment purchases or proceeds of sales are adjusted accordingly.

Prior year comparative figures have been restated on a consistent basis. The impact in 2016-17 has been to increase Manager fees by £6.9m (2015-16: £5.0m) and transaction costs by £0.5m (2015-16: £1.0m) offset by an increase in the profit and losses on disposal of investments and changes in the market value of investments of £7.4m (2015-16: £6.0m).

Fees of the external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the Fund has negotiated with the following managers that an element of their fee be performance related:

- JO Hambro Capital Management – Global Equities
- Skagen Asset Management - Emerging Market

The Fund also had a performance fee related agreement with Schroders Investment Management Limited in respect of the Multi Asset mandate which was replaced on 1 July 2016 with separate mandates for UK Equities and Strategic Bonds for which there is no performance related fee. No performance fee was payable for the period ended 30 June 2016.

Where an Investment Manager’s fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2016-17, £1.3m of fees are based upon such estimates (2015-16: £ 0.7m). In addition, manager fees deducted from pooled funds of £6.9m (2015-16: £5.0m) are estimated based upon information received from fund managers.

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

Net Assets Statement

Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised in the Fund Account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing

NOTES TO THE PENSION FUND ACCOUNTS

levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date, except for loans and receivables. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 24).

Contingent assets and liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

A contingent asset arises there an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is Subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE PENSION FUND ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £428m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £81m, and a one-year increase in assumed life expectancy would approximately increase the liability by between £125m and £201m.
Cambridge and Counties Bank	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. For prudency, the Pension Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.	The investment in the financial statements is £55m.There is a risk that this investment may be under, or overstated in the accounts.
Other private equity and infrastructure	All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £191m. There is a risk that this investment may be under or overstated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2017, and up to the date when these accounts were authorised that require any adjustments to these accounts.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

7. CONTRIBUTIONS RECEIVABLE

By category

2015-16 £000		2016-17 £000
26,996	**Employees' contributions**	25,874
	Employers' contributions:	
76,782	Normal contributions	84,909
15,065	Deficit recovery contributions	14,665
-	Augmentation contributions	-
91,847	**Total employers' contributions**	99,574
118,843		125,448

Employees' contributions in 2016-17 are lower than in 2015-16 due to a reduction in employee special contributions of £1.1m. Normal employees' contributions are similar to 2015-16, reflecting a static number of active members, negligible pay increases in the year and the impact of a marginal increase in the uptake of the 50/50 option.

By authority

2015-16 £000		2016-17 £000
38,265	Administering Authority	39,594
67,966	Scheduled Bodies	77,666
2,709	Admitted Bodies	2,991
6,927	Community Admission Bodies	2,280
2,976	Transferee Admission Bodies	2,917
118,843		125,448

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2015-16 £000		2016-17 £000
5,773	Group transfers	-
2,962	Individual transfers	3,292
8,735		3,292

Group transfers relate to one-off events arising from the transfer of all or part of a business function from another local authority. The volume and value of individual transfers is dependent upon individual members' circumstances and will vary from year to year.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

9. BENEFITS PAYABLE

By category

2015-16 £000		2016-17 £000
72,094	Pensions	76,011
18,856	Commutation and lump sum retirement benefits	20,003
1,424	Lump sum death benefits	2,373
92,374		98,387

By authority

2015-16 £000		2016-17 £000
37,268	Administering Authority	38,673
47,348	Scheduled Bodies	50,578
2,470	Admitted Bodies	2,979
3,211	Community Admission Bodies	3,884
1,207	Transferee Admission Bodies	1,121
870	Resolution Bodies	1,152
92,374		98,387

The increase in pensions payable during 2016-17 reflects the growth in the number of pensioners during the year.

The value of commutation and lump sum retirement benefits is dependent on volumes of retirements and the specific commutation decisions of retirees. Future trends will be dependent on employee decisions which will be influenced by commutation factors and the taxation environment.

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2015-16 £000		2016-17 £000
221	Refunds to members leaving service	306
-	Payments for members joining state scheme	-
-	Group transfers	670
5,094	Individual transfers	9,445
5,315		10,421

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Individual transfers are dependent on individuals having an approved pension arrangement to transfer their LGPS benefits to after leaving the Cambridgeshire Fund and also the relative merits of that destination arrangement in comparison with the LGPS.

Refunds to members leaving service are extremely sensitive to fluctuations as a result of the small relative value.

11. MANAGEMENT EXPENSES

2015-16 £000 (re-presented)		2016-17 £000
2,091	Administrative costs	2,218
12,446	Investment management expenses (see note 11A)	12,526
219	Oversight and governance costs	419
14,756		15,163

Oversight and governance costs include actuarial fees which were higher in 2016-17 due to the fees incurred in respect of the triennial funding valuation.

11A. INVESTMENT MANAGEMENT EXPENSES

2015-16 £000 (re-presented)		2016-17 £000
8,190	Management fees	10,634
2,795	Performance related fees	508
-	Custody fees	-
1,224	Transaction costs	1,099
237	Other costs	283
12,446		12,526

In 2016-17 there has been a change in presentation of investment manager expenses as noted on page 124. The prior year comparatives have been restated for consistency.

The increase in management fees in 2016-17 reflects the increase in the value of assets under management due to the exceptionally strong fund return of 24.5% in the year.

Performance related fees in 2015-16 include £2.6m of fees paid to managers on performance related agreements that have been terminated or transferred to market value based fee arrangements.

Directly incurred transaction costs are incurred on the purchase and sale of investments by segregated managers. In 2016-17 directly incurred transaction costs have reduced due to the transition to pooled funds during 2015-16.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

12. INVESTMENT INCOME

2015-16 £000		2016-17 £000
35	Income from bonds	405
15,681	Income from equities	11,967
9,500	Pooled investments – unit trusts and other managed funds	8,260
3,656	Pooled Property Investments	6,788
2,270	Private equity/infrastructure income	1,661
149	Interest on cash deposits	902
308	Other	164
31,599		30,147

13. TAXES ON INCOME

2015-16 £000		2016-17 £000
31	Withholding tax - equities	-
31		-

In 2015-16 taxes arose on a segregated global equities mandate since terminated. In 2016-17 any taxes arising on overseas investments held in pooled funds are deducted from the valuation of the pooled fund.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

14. INVESTMENTS

31-Mar-16 £000		31-Mar-17 £000
	Investment assets	
61,316	Bonds	74,590
266,984	Equities	357,733
1,487,140	Pooled investments	1,898,748
187,080	Pooled property investments	192,549
207,353	Private equity/infrastructure	246,179
	Derivatives	
-	• Futures	-
31,929	Cash deposits	41,910
2,580	Investment income due	2,714
235	Amounts receivable for sales	-
2,244,617	**Total investment assets**	**2,814,423**
	Investment liabilities	
	Derivative contracts:	
-	• Futures	-
-	• Forward currency contracts	-
(1,006)	Amounts payable for purchases	(1,137)
(1,006)	**Total investment liabilities**	**(1,137)**
2,243,611	**Net investment assets**	**2,813,286**

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

14(a) Reconciliation of movements in investments and derivatives

	Market value 31-Mar-16 £000	Purchases during the year and derivative payments* £000	Sales during the year and derivative receipts* £000	Change in market value during the year £000	Market value 31-Mar-17 £000
Bonds	**61,316**	378	0	12,896	**74,590**
Equities	**266,984**	90,034	(57,572)	58,287	**357,733**
Pooled investments	**1,487,140**	13,207	(28,951)	427,352	**1,898,748**
Pooled property investments	**187,080**	22,335	(16,391)	(475)	**192,549**
Private equity/infrastructure	**207,353**	23,130	(27,250)	42,946	**246,179**
	2,209,873	149,084	(130,164)	541,006	**2,769,799**
Derivative contracts:					
• **Futures**		-	-	-	**-**
• **Forward Currency Contracts**		0	(5)	5	**-**
	2,209,873	149,084	(130,169)	541,011	**2,769,799**
Other investment balances:	**33,738**			**1,360**	**43,487**
• **Cash deposits**	**31,929**				**41,910**
• **Amount receivable for sales**	**235**				**-**
• **Investment income due**	**2,580**				**2,714 -**
• **Amounts payable for purchases of investments**	**(1,006)**			-	**(1,137)**
Net investment assets	**2,243,611**			**542,371**	**2,813,286**

*In 2016-17 the cost incurred in the purchase and sale of investments are reported as transaction costs (Note 11A) which is a change in presentation compared to prior years. Comparative figures in the table below have been restated for consistency. See page 124.

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NOTES TO THE PENSION FUND ACCOUNTS

	Market value 1-Apr-15 £000	Purchases during the year and derivative payments (restated*) £000	Sales during the year and derivative receipts (restated*) £000	Change in market value during the year (restated*) £000	Market value 31-Mar-16 £000
Index-linked securities	**-**	59,954	-	1,362	**61,316**
Equities	**843,577**	574,277	(1,125,875)	(24,995)	**266,984**
Pooled investments	**1,044,265**	615,001	(89,368)	(82,758)	**1,487,140**
Pooled property investments	**162,593**	19,910	(4,054)	8,631	**187,080**
Private equity/infrastructure	**165,436**	28,120	(28,951)	42,748	**207,353**
	2,215,871	1,297,262	(1,248,248)	(55,012)	**2,209,873**
• Derivative contracts:					
Futures	**(7)**	2	(88)	93	**-**
• Forward Currency Contracts	**(157)**	2,592	(2,291)	(144)	**-**
	2,215,707	1,299,856	(1,250,627)	(55,063)	**2,209,873**
Other investment balances:	**52,051**			**935**	**33,738**
• Cash deposits	48,731				**31,929**
• Amount receivable for sales	88				**235**
• Investment income due	3,276				**2,580**
• Amounts payable for purchases of investments	(44)				**(1,006)**
Net investment assets	**2,267,758**			**(54,128)**	**2,243,611**

*Restated for revised presentation of transaction costs and pooled manager fees. See page 124.

Purchases and sales of derivatives are recognised in Note 14(a) above as follows:

- Futures – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses and recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

NOTES TO THE PENSION FUND ACCOUNTS

14(b). Analysis of Investments

31-Mar-16 £000		31-Mar-17 £000
	Bonds	
	UK	
61,316	Public sector quoted	74,590
61,316		74,590
	Equities	
	UK	
259,287	Quoted	344,537
	Overseas	
7,697	Quoted	13,296
266,984		357,733
	Pooled funds – additional analysis	
	UK	
60,920	Fixed income	67,173
544,320	Equity	677,130
	Overseas	
210,891	Fixed income	223,406
665,635	Equity	922,286
5,374	Cash Fund	8,753
1,487,140		1,898,748
187,080	Pooled property investments	192,549
207,353	Private equity/ infrastructure	246,179
-	Derivatives	-
394,433		438,728
31,929	Cash deposits	41,910
2,580	Investment income due	2,714
235	Amounts receivable for sales	-
34,744		44,624
2,244,617	**Total investment assets**	2,814,423
	Investment liabilities	
-	Derivatives	
(1,006)	Amounts payable for purchases	(1,137)
(1,006)	**Total investment liabilities**	(1,137)
2,243,611	**Net investment assets**	2,813,286

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NOTES TO THE PENSION FUND ACCOUNTS

14(c). Investments analysed by fund manager

Market value 31-Mar-16 £000	%		Market value 31-Mar-17 £000	%
775,346	34.6	Schroders Investment Management	**883,627**	**31.4**
525,754	23.4	State Street Global Asset Management	**677,130**	**24.1**
329,995	14.7	Dodge & Cox Worldwide Investments	**482,112**	**17.1**
253,038	11.3	JO Hambro Capital Management	**324,281**	**11.6**
82,602	3.7	Skagen Funds	**115,893**	**4.1**
64,751	2.9	Adams Street Partners	**79,359**	**2.8**
53,501	2.4	M&G Investments	**57,230**	**2.0**
50,919	2.3	HarbourVest Partners (UK)	**59,077**	**2.1**
43,000	1.9	Cambridge and Counties Bank (direct holding)	**54,700**	**1.9**
25,378	1.1	Equitix	**27,806**	**1.0**
19,055	0.8	UBS Infrastructure	**22,167**	**0.8**
17,749	0.8	Partners Group (UK)	**27,052**	**1.0**
2,523	0.1	Cash with custodian	**2,852**	**0.1**
2,243,611	**100.0**		**2,813,286**	**100.0**

All the above companies are registered in the United Kingdom.

The following investments represent more than 5% of the net assets of the scheme.

Security	Market value 31-Mar-16 £000	% of total fund %	Market value 31-Mar-17 £000	% of total fund %
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	329,995	14.5	**482,112**	**16.9**
State Street Managed Pension Fund All World Equity Index Sub-Fund	318,655	14.0	**423,850**	**14.9**
JO Hambro Capital Management Global Select Fund Sterling Z shares	253,038	11.10	**324,281**	**11.4**
State Street Managed Pension Fund UK Equity Index Sub-Fund	207,099	9.10	**253,280**	**8.9**
Schroders International Selection Fund – Strategic Bond	157,389	6.90	**166,176**	**5.8**

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The table below lists individual investments that represent more than 5% of any class or type of investment shown in the reconciliation of movements in investment and derivatives reported in Note 14(a).

Security	Market value 31-Mar-16 £000	% of asset class %	Market value 31-Mar-17 £000	% of asset class %
Index-linked securities	**61,316**	**100.00**	**74,590**	**100.00**
1.25% Index-linked Treasury Gilt 2055	3,823	6.23	4,878	6.54
0.375% Index-linked Treasury Gilt 2062	3,370	5.50	4,539	6.09
0.125% Index-linked Treasury Gilt 2068	3,128	5.10	4,427	5.93
0.5% Index-linked Treasury Gilt 2050	3,135	5.11	3,989	5.35
1.125% Index-linked Treasury Gilt 2037	3,356	5.47	3,960	5.31
0.75% Index-linked Treasury Gilt 2047	3,125	5.10	3,950	5.30
0.625% Index-linked Treasury Gilt 2040	3,114	5.08	3,766	5.05
0.125% Index-linked Treasury Gilt 2040			3,733	5.00
1.25% Index-linked Treasury Gilt 2027	3,241	5.29	3,605	4.83
1.875% Index-linked Treasury Gilt 2022	3,244	5.29	3,483	4.67
2.5% Index-linked Treasury Stock 2024	3,139	5.12	3,380	4.53
Equities	**266,984**	**100.00**	**357,733**	**100.00**
HSBC Holdings PLC	n/a	n/a	21,827	6.10
Royal Bank of Scotland Group plc	14,903	5.58	20,994	5.87
BP plc	15,111	5.66	20,833	5.82
GlaxoSmithKline plc	17,700	6.63	19,337	5.41
Barclays PLC	n/a	n/a	19,283	5.39
Aviva plc	13,940	5.22	19,152	5.35
Pearson plc	n/a	n/a	18,208	5.09
Pooled investments	**1,487,140**	**100.00**	**1,898,748**	**100.00**
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	329,995	22.19	482,112	25.39
State Street Managed Pension Fund All World Equity Index Sub-Fund	318,655	21.43	423,849	22.32
JO Hambros Capital Management Global Select Fund Sterling Z shares	253,038	17.02	324,281	17.08
State Street Managed Pension Fund UK Equity Index Sub-Fund	207,099	13.93	253,280	13.34
Schroders International Selection Fund – Strategic Bond	157,390	10.58	166,177	8.75
Skagen Funds Skagen Kon-Tiki Fund	82,602	5.55	115,894	6.10
Pooled property investments	**187,080**	**100.00**	**192,549**	**100.00**
Blackrock UK Fund	23,218	12.41	23,228	12.06
Schroder Unit Trust UK Real Estate	20,670	11.05	21,226	11.02
Legal & General Property Fund Units	19,197	10.26	19,875	10.32
Mayfair Capital Property Units	17,977	9.61	19,010	9.87
Hermes Property Unit Trust	18,261	9.76	18,697	9.71
Standard Life Pooled Pension Property Fund	19,950	10.66	15,919	8.27
Schroder Real Estate Real Income Fund	13,974	7.47	15,404	8.00
Industrial Property Investment Fund	10,074	5.38	10,763	5.59
AVIVA Investors Pensions Ltd Property A	10,065	5.38	10,153	5.27
Private equity/infrastructure	**207,353**	**100.00**	**246,179**	**100.00**
Cambridge & Counties Bank	43,000	20.74	54,700	22.22
Equitix Fund II, LP	24,789	11.95	26,922	10.94
Partners Group Global Infrastructure 2012 LP	17,749	8.56	26,251	10.66
UBS International Infrastructure Fund	17,765	8.57	19,586	7.96

NOTES TO THE PENSION FUND ACCOUNTS

14(d). Stock Lending

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2017, the value of quoted equities on loan was £67.5m (31 March 2016: £36.3m). These equities continue to be recognised in the Fund's financial statements.
Counterparty risk is managed through holding collateral at the Fund's custodian. At the year end the custodian held collateral at fair value of £72.9m (31 March 2016: £38.9m) representing 108% of stock lent. Collateral consists of acceptable securities and government debt.

15. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

a) Futures

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund's investment managers enter into forward foreign currency contracts to take advantage of current exchange rates.

Futures

There were no outstanding exchange traded future contracts at 31 March 2017 or 31 March 2016.

Open forward currency contracts

There were no open forward currency contracts at 31 March 2017 or 31 March 2016.

16. FAIR VALUE

16a. Fair value hierarchy

Valuation Of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

Level 2

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Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2017	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	447,967	1,966,718	370,757	2,785,442
Loans and receivables	77,050	-	-	77,050
Total financial assets	**525,017**	**1,966,718**	**370,757**	**2,862,492**
Financial liabilities				
Financial liabilities at amortised cost	(8,914)	-	-	(8,914)
Total financial liabilities	**(8,914)**	**-**	**-**	**(8,914)**
Net financial assets	**516,103**	**1,966,718**	**370,757**	**2,853,578**

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Values at 31 March 2016 (re-presented – see below)	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	349,681	1,534,119	328,888	2,212,688
Loans and receivables	78,222	-	-	78,222
Total financial assets	**427,903**	**1,534,119**	**328,888**	**2,290,910**
Financial liabilities				
Financial liabilities at amortised cost	(14,619)	-	-	(14,619)
Total financial liabilities	**(14,619)**	**-**	**-**	**(14,619)**
Net financial assets	**413,284**	**1,534,119**	**328,888**	**2,276,291**

In 2016-17 the Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016). This revised interpretation has resulted in a change of classification the Fund's investments within the fair value hierarchy compared to 2015-16. The 2015-16 comparative disclosures have been re-presented for consistency. There has been no change in the valuation techniques used during the year.

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The fair valuation of each class of investment asset is set out below.

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Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Pooled investments – not exchange traded closed ended funds	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
Private equity and infrastructure	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Price/Earnings or EBITDA multiple Revenue Multiple Discount for lack of marketability	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.

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NOTES TO THE PENSION FUND ACCOUNTS

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Asset Type	Value as at 31-Mar-17 £000	Assessed valuation range (+/-) (% rounded)	Value on Increase £000	Value on Decrease £000
Property	124,578	14.2	142,268	106,888
Unquoted equity	246,179	20.1	295,661	196,697
Total Assets	**370,757**		**437,929**	**303,585**

16(b) Reconciliation of fair value measurements within Level 3

Period 2016-17	Market value 1-Apr-2016 (see Note) £000	Transfers into level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/ (losses) £000	Realised gains/ (losses) £000	Market value 31-Mar-2017 £000
Pooled property investments	121,535	-	20,153	(16,366)	(2,097)	1,353	124,578
Private equity and infrastructure - equity	43,000	-	500	-	11,200	-	54,700
Private equity and infrastructure - other	164,353	-	22,630	(27,250)	13,602	18,144	191,479
Total	**328,888**	-	**43,283**	**(43,616)**	**22,705**	**19,497**	**370,757**

Note: As noted above, following the publication of the PRAG/Investment Association Guidelines, the classification of financial instruments to Level 3 have been reviewed and balances at 1 April 2016 re-presented.

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NOTES TO THE PENSION FUND ACCOUNTS

17. FINANCIAL INSTRUMENTS

17a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

31-Mar-16				31-Mar-17		
Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
			Financial assets			
61,316	-	-	Bonds	74,590	-	-
266,984	-	-	Equities	357,733	-	-
1,487,140	-	-	Pooled investments	1,898,748	-	-
187,080	-	-	Pooled property investments	192,549	-	-
207,353	-	-	Private equity/ infrastructure	246,179	-	-
-	-	-	Derivative contracts	-	-	-
-	60,172	-	Cash	-	73,775	-
2,815	-	-	Other investment balances	2,714	-	-
-	18,050	-	Debtors	16,204	-	-
2,212,688	**78,222**	**-**		**2,788,717**	**73,775**	**0**
			Financial liabilities			
-	-	-	Derivative contracts	-	-	-
-	-	(1,006)	Other investment balances	-	-	(1,137)
-	-	(13,613)	Creditors	-	-	(7,777)
-	**-**	**(14,619)**		**-**	**-**	**(8,914)**
2,212,688	**78,222**	**(14,619)**	**Total**	**2,788,717**	**73,775**	**(8,914)**
	2,276,291		**Grand total**		**2,853,578**	

NOTES TO THE PENSION FUND ACCOUNTS

17b. Net Gains and Losses on Financial Instruments

2015-16 (Restated) £000		2016-17 £000
	Financial assets:	
(55,013)	Fair value through profit and loss	541,117
1,097	Loans and receivables	1,373
	Financial liabilities:	
(51)	Fair Value through profit and loss	5
(162)	Loans and Receivables	(13)
-	Financial liabilities measured at amortised cost	-
(54,128)	**Total gains / (losses)**	542,482

In 2016-17 investment manager expenses have been reclassified from gains and losses on financial instruments as noted on page 124. The prior year comparatives have been re-presented for consistency.

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk Management Programme.

Responsibility for the Fund's Risk Management Strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

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- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2016-17 reporting period. Due to the withdrawal of the Fund's previous provider of this data, the Fund has used an adviser in a joint arrangement with a number of its ACCESS pool colleagues. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

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Asset Type	Value as at 31-Mar-17 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	**1,021,567**	15.80	1,182,975	860,159
Overseas equities	**13,296**	18.40	15,742	10,850
Global pooled equities	**922,286**	18.90	1,096,598	747,974
Index-linked bonds	**74,590**	9.00	81,303	67,877
Pooled fixed interest bonds	**290,579**	10.10	319,927	261,231
Property	**192,549**	14.20	219,891	165,207
Alternatives	**246,179**	20.10	295,661	196,697
Cash and Other investment balances	**52,240**	0.00	52,240	52,240
Total Assets	**2,813,286**		**3,264,337**	**2,362,235**

Note that due to the diversification of investments across asset classes the volatility of the total fund may be lower than the total shown above for the aggregation of the individual asset classes.

Asset Type	Value as at 31-Mar-16 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	**803,607**	11.00	892,044	715,210
Overseas equities	**7,697**	13.30	8,721	6,673
Global pooled equities	**665,635**	10.80	737,524	593,746
Index-linked bonds	**61,316**	9.47	67,123	55,509
Pooled fixed interest bonds	**271,811**	1.37	275,535	268,087
Property	**187,080**	1.84	190,522	183,638
Alternatives	**207,353**	4.01	215,668	199,038
Cash and Other investment balances	**39,112**	0.01	39,116	39,108
Total Assets	**2,243,611**		**2,426,253**	**2,061,009**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

NOTES TO THE PENSION FUND ACCOUNTS

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-16 £000	Asset Type	31-Mar-17 £000
31,929	Cash and cash equivalents	41,910
28,243	Cash balances	35,140
61,316	Index-linked securities	74,590
271,811	Fixed interest securities	290,579
393,299	**Total**	**442,219**

Assets exposed to interest rate risk	Value at 31-Mar-17 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	41,910	-	41,910	41,910
Cash balances	35,140	-	35,140	35,140
Index-linked securities	74,590	746	73,844	75,336
Fixed interest securities	290,579	2,906	287,673	293,485
Total change in assets available	**442,219**	**3,652**	**438,567**	**445,871**

Assets exposed to interest rate risk	Value at 31-Mar-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	31,929	-	31,929	31,929
Cash balances	28,243	-	28,243	28,243
Index-linked securities	61,316	613	60,703	61,929
Fixed interest securities	271,811	2,718	269,093	274,529
Total change in assets available	**393,299**	**3,331**	**389,968**	**396,630**

NOTES TO THE PENSION FUND ACCOUNTS

Income exposed to interest rate risk	Amount receivable in 2016-17 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	902	9	893	911
Index-linked securities	405	4	401	409
Fixed interest securities	4,385	-	4,385	4,385
Total	**5,692**	**13**	**5,679**	**5,705**

Income exposed to interest rate risk	Amount receivable in 2015-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	149	1	150	148
Index-linked securities	35	-	35	35
Fixed interest securities	6,325	-	6,325	6,325
Total	**6,509**	**1**	**6,510**	**6,508**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's investment advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

A 10% (31 March 2016: 6.0%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

NOTES TO THE PENSION FUND ACCOUNTS

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-17 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	935,582	93,558	1,029,140	842,024
Overseas Fixed Income	223,406	22,341	201,065	245,747
Overseas Cash Fund	8,753	875	7,878	9,628
Total	**1,167,741**	**116,774**	**1,238,083**	**1,097,399**

Assets exposed to currency risk	Value at 31-Mar-16 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	673,332	40,467	713,799	632,865
Overseas Fixed Income	210,891	12,675	223,566	198,216
Overseas Cash Fund	5,374	323	5,697	5,051
Total	**889,597**	**53,465**	**943,062**	**836,132**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

management arrangements at 31 March 2017 was £73.8m (31 March 2016: £60.2m). This was held with the following institutions:-

	Rating	31-Mar-17 £000	31-Mar-16 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	41,125	29,934
UK Treasury Bills			-
Bank deposit account			
Barclays Bank	A	31.865	28,243
Bank current accounts			
Northern Trust custody accounts	P-1	785	1,995
Total		**73,775**	**60,172**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2017 the value of illiquid assets was £438.7m, which represented 15.4% of the total Fund assets (31 March 2016: £394.4m, which represented 17.6% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund’s cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2017 are due within one year.

d) Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2016 actuarial valuation, the Fund was assessed as 78.4% funded (72.4% at the March 2013 valuation). This corresponded to a deficit of £625m (2013 valuation: £728m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2016 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	**Secondary Rate %**		
1 April 2017 to 31 March 2020	2017/2018	2018/2019	2019/2020
18.1%	£26,039,000	£17,959,000	£18,355,000

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NOTES TO THE PENSION FUND ACCOUNTS

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay.

Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the Fund's website.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Basis of valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

		31-Mar-16		31-Mar-13	
Assumption	**Description**	**Nominal**	**Real**	**Nominal**	**Real**
Price inflation (RPI)		3.3%	-	3.3%	-
Price Inflation (CPI)/ Pension increases		2.1%	-	2.5%	-
Pay increases – 2016	RPI minus 0.7% p.a.*	2.4%	(0.7)%	n/a	n/a
Pay increases – 2013	RPI plus 1% p.a.*	n/a	n/a	4.3%	1.0%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.8% p.a. (2013: 1.6% p.a).	4.0%	n/a	4.6%	n/a

*Plus an allowance for promotional pay increases.

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	**Female**	**Male**	**Female**
2013 valuation	24.4	26.9	22.5	24.5
2016 valuation	24.0	26.9	22.5	24,5

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

NOTES TO THE PENSION FUND ACCOUNTS

Other demographic valuation assumptions:

a) Retirements in ill health
Allowance has been made for ill-health retirements before Normal Pension Age.

b) Withdrawals
Allowance has been made for withdrawals from service.

c) Family details
A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.

d) Commutation
Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 25% of HMRC limits for service to 31 March 2008 and 63% of HMRC limits for service from 1 April 2008.

e) 50:50 option
5.0% of members (uniformly distributed across the age, service and salary range) are assumed to choose the 50:50 option.

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19).The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-16 £bn		31-Mar-17 £bn
(3.555)	Present value of promised retirement benefits	(4.175)
2.277	Fair value of scheme assets (bid value)	2.854
(1.278)	**Net liability**	**(1.321)**

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Assumptions used

	31-Mar-17 % p.a.	31-Mar-16 % p.a.
Inflation/pension increase rate assumption	2.4	2.2
Salary increase rate	2.7	4.2
Discount rate	2.6	3.5

21. CURRENT ASSETS

31-Mar-16 £000		31-Mar-17 £000
	Debtors:	
2,048	Contributions due – members	**861**
6,544	Contributions due – employers	**3,077**
127	Transfer values receivable (joiners)	**223**
6,803	Sundry receivables	**10,147**
15,522		**14,308**
28,243	**Cash balances**	**31,865**
43,765		**46,173**

Analysis of debtors

31-Mar-16 £000		31-Mar-17 £000
3,785	Central government bodies	**3,715**
2,755	Other local authorities	**6,825**
4,079	NHS bodies	**24**
4,666	Public corporations and trading funds	**3,333**
237	Other entities and individuals	**411**
15,522		**14,308**

22. NON CURRENT ASSETS

With effect from 1 April 2005, 71 employees of the Cambridgeshire Magistrates' Courts transferred out of the Cambridgeshire Fund as part of a national transfer of the Magistrates' Courts out of Local Government schemes. However, the Cambridgeshire Fund has retained the liability for the Magistrates' pensioners and deferred pensioners. An assessment of the transfer by the scheme's actuary, which was agreed by the Government Actuary's Department in March 2011, has resulted in an annual amount of £0.632m to be paid by the Ministry of Justice (former Department for Constitutional Affairs) to the Fund as the valuation of the transfer out was less than the retained liability. Annual payments commenced in April 2011 for ten years. At 31 March 2017, a total of £2,528,000 was still due from the Ministry of

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Justice, with £632,000 being shown in Current Assets and £1,896,000 being due after 31 March 2017 being shown in Non Current Assets.

23. CURRENT LIABILITIES

31-Mar-16 £000		31-Mar-17 £000
13,153	Sundry payables	4,126
94	Transfer values payable (leavers)	2,962
366	Benefits payable	689
13,613		7,777

Analysis of creditors

31-Mar-16 £000		31-Mar-17 £000
	:	
-	Central government bodies	-
12,943	Other local authorities	7,002
1	NHS bodies	-
93	Public corporations and trading funds	180
576	Other entities and individuals	595
13,613		7,777

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-16 £000		Market value 31-Mar-17 £000
463	Equitable Life	418
7,182	Prudential	7,986
7,645		8,404

No contributions (2015-16: negligible contributions) were paid to Equitable Life during the year and total contributions of £1,026k were paid directly to Prudential during the year (2015-16: £940k). The value of the Equitable Life fund decreased during the year due to the payment of retirement benefits exceeding receipts from contributions and investment income. The Prudential fund increased during the year due to the performance of investments.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

25. AGENCY SERVICES

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

2015-16 £000		2016-17 £000
2,005	Unfunded pensions	2,360
2,005		2,360

26. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund.

The Council incurred costs of £2.4m (2015-16: £2.2m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £32.0m to the Fund in 2016-17 (2015-16: £28.2m). At 31 March 2017 there was £1.3m (31 March 2016: £2.8m) due to the Fund by the Council.

Governance

The following Pension Fund Committee members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme:-

- Councillor Roger Hickford
- Councillor Michael Shellens
- Councillor Maurice Leake
- Matthew Pink
- John Walker

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Board are required to declare their interests at each meeting.

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). The Council's Section 151 Officer is Non-executive Director on the Board of CCB for which CCB pays £35,000 p.a. to the Council.

NOTES TO THE PENSION FUND ACCOUNTS

26(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by LGSS which is a shared service arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Head of Pensions in the shared service unit reports directly to the LGSS Director of Finance whose costs are reported in the Northamptonshire County Council statement of accounts. The Director of Finance is remunerated for his services to the organisation as a whole and it is not possible to identify within the overhead charge from LGSS the proportion of his costs relating to services to the Fund.

27. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2017 totalled £162.5m (31 March 2016: £93.9m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts ‘called’ by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

28. CONTINGENT ASSETS

Eighteen admitted body employers in the Cambridgeshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default, and usually only in the event of premature cessation.

29. IMPAIRMENT LOSSES

Impairment for bad and doubtful debts

During 2016-17 the Fund did not suffer any impairment loss (2015-16: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

GLOSSARY

ACCRUAL
An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

ACCUMULATED ABSENCES ACCOUNT
An unusable reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

ACTUARIAL BASIS
Valuations performed by an actuary relating to a pension scheme's assets and liabilities.

ACTUARY
An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met

ADMITTED BODIES
Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

ALL SHARE INDEX
Properly the FTSE All Share index which summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

AMORTISATION
The process of reducing the value of an asset or liability over its useful life.

AT BEST
An instruction to deal at the best price ruling in the market at the time, i.e. The highest price (selling) or lowest (buying).

AUTHORISED UNIT TRUSTS
A unit trust which is approved by the Financial Services Authority (FSA) to be sold to members of the public.

AVAILABLE FOR SALE FINANCIAL ASSETS
Assets that have a quoted market price and/or do not have fixed or determinable payments.

BALANCE SHEET
A summary of financial position showing the assets and liabilities recognised by the Council, matched by the level of reserves held.

BALANCES
The accumulated surplus of income over expenditure on the General Fund (see later).

GLOSSARY

BARGAIN
Another name for a trade or transaction of the Stock Exchange.

BENEFICIAL OWNER
The true owner of a security regardless of the name in which it is registered.

BID PRICE
The price at which securities are purchased by market makers.

BOND
Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured

BUDGET
A statement defining the Council's policy over a specified period expressed in financial terms and including other performance and statistical data.

BUILDING SCHOOLS FOR THE FUTURE (BSF)
A national programme to bring all secondary schools up to modern standards over the next 15-20 years.

CAPITAL ADJUSTMENT ACCOUNT
An account that reflects the difference between the cost of long-term assets consumed and the capital financing set aside to pay for them.

CAPITAL FINANCING REQUIREMENT
A notional amount of debt which determines the Minimum Revenue Provision.

CAPITAL GRANTS
Grants received towards capital spending (see next) on a particular service or project.

CAPITAL SPENDING
Payments made for the acquisition or provision of assets which will be of long-term value to the Council e.g. land, buildings and equipment.

CAPITAL RECEIPTS
Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt.

CARRY FORWARDS
Directorates, Schools and Trading Units are permitted/ required to transfer any underspending or overspending into the next financial year.

Cambridgeshire County Council

GLOSSARY

CASH EQUIVALENTS
Assets which are readily convertible into cash.

CLEAN PRICE
The price of a bond which is quoted without accrued interest.

COMMUNITY ADMISSION BODIES
Employers who may be admitted to the scheme if they meet the requirements of Regulation 5 and regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that provide a public service, e.g. charitable bodies, otherwise than for the purpose of gain and which have sufficient links to a local authority or other scheme employer to be regarded as having a community of interest.

COMMUTATION
Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES
Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CONTRACT NOTE
The documentary record of a trade which is sent from the broker to the investor

CONVERTIBLE
Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

CORPORATE AND DEMOCRATIC CORE
Income and expenditure relating to the corporate management and democratic processes of the Council.

COUPON
The regular payment made on bonds.

CREDITS (PFI)
A measure of private sector investment that will be supported by central government grant and acts as a promise that PFI grant can be claimed once a PFI project is operational.

CURRENT ASSETS
Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES
Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

GLOSSARY

DEBENTURE
Fixed loan stock (bond) secured against the company's property, plant and equipment. First in the event of the company going into liquidation.

DEFERRED PENSION BENEFIT
A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT
An outcome as a result of taking away all expenses from income.

DEPRECIATION
The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

DERIVATIVE
A special type of contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, and is often called the "underlying". Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DISTRIBUTION DATES
The date when interest or dividends are distributed to investors. Also called Payment Date.

DIVIDEND
The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

EARMARKED RESERVE
An earmarked reserve is money set aside for a specific purpose.

EARNINGS PER SHARE (EPS]
The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the 'E' term in the P/E ratio to value shares.

EQUITIES
Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

EVENTS AFTER THE BALANCE SHEET DATE
Events occurring between the Balance Sheet date and the date on which the Accounts are signed by the Director of Finance, which have a significant impact on the Council's finances.

Cambridgeshire County Council

GLOSSARY

FINANCIAL INSTRUMENTS
Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
An account to manage the imbalance between accounting rules and statutory provisions for charging amounts to the general fund. The “balancing” entry for each of the adjustments for the Financial Instruments will constitute a new reserve on the Balance Sheet called “Financial Instruments Adjustment Account”. This reserve is not a usable reserve.

FINANCIAL CONDUCT AUTHORITY (FCA)
The lead UK regulator. A designated agency which is not a government department.

FIXED INTEREST CORPORATE BOND
A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum

FORCE MAJEURE
A common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, riot, crime, or an event described by the legal term *act of God* (such as hurricane, flooding, earthquake, volcanic eruption, etc.), prevents one or both parties from fulfilling their obligations under the contract.

FTSE-100 INDEX
The main UK index used to represent the approximate price movements of the top 100 shares.

FUTURES
Instruments which give a buyer the right to purchase a commodity at a future date.

GEARING
The amount of borrowing versus debt on a company’s Balance Sheet (Net debt/Ordinary shareholders’ funds). Warrants and options also exhibit gearing, i.e. a small move in the price of the underlying asset can be magnified in the move in the price of the option.

GENERAL FUND
The main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met.

GILT
Similar to Corporate Bonds by way of interest and redemption but these are issued by Government and are a loan to the Government.

Cambridgeshire County Council

GLOSSARY

GOVERNMENT GRANTS
Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Education or Social Services; or general.

HEDGE
To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

HEDGE FUND
A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

HERITAGE ASSETS
Assets (land, building, or artefact/ exhibit) held principally for their contribution to knowledge or culture.

IMPAIRMENT
A reduction in the value of an asset from its previous value in the accounts.

IMRO
Investment Management Regulatory Organisation. Fund Manager Regulator.

INCOME
Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, government grants and precept. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that year.

INDEX LINKED
Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

INTEREST YIELD
The annual coupon on a bond divided by the clean price.

INFRASTRUCTURE ASSETS
Assets such as roads and bridges.

INTANGIBLE ASSETS
Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

INTERNAL CONTROLS
Procedures or systems designed to promote efficiency, assure policy implementation, safeguard assets and avoid fraud and error.

GLOSSARY

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

INVENTORIES
Goods bought but have not been used.

LGSS
A partnership between Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council to create a wholly owned public sector organisation to deliver professional and transactional support services.

LOAN STOCK
Unsecured bonds, which may be convertible if they have a warrant attached.

LONG-TERM ASSETS
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

MARKET CAPITALISATION
For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

MEDIUMS
Medium-dated Gilts with time to maturity of 5-15 years.

MINIMUM REVENUE PROVISION
The minimum amount which must be charged to revenue in the year for the repayment of debt.

NET BOOK VALUE
The depreciated value of an asset.

NOMINEE
A firm which acts on behalf of the underlying beneficial owner of the securities and in whose name the securities are registered.

NON-DISTRIBUTED COSTS
Costs that cannot be specifically applied to a service and are held centrally.

OFFER PRICE
The price at which market makers will sell stock.

ORDINARY SHARES
‘A’ Shares which confer full voting and dividend rights to the Owner.

GLOSSARY

PAYABLES
Amounts owed by the Council for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.

PENSIONS STRAIN
Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

POOLED BUDGET
A partnership where participants aggregate funds to work collaboratively to address specific issues.

PRECEPT
The cash sum levied by one Authority in relation to council tax, which is collected by another (a billing Authority). The County Council is the precepting Authority and the District Councils are the billing authorities, acting as an agent for the Council.

PRIVATE FINANCE INITIATIVE (PFI)
A form of partnership between the private and public sector which is normally used for high risk / high value contracts for delivering capital assets for the provision of public services. The private sector designs, builds and maintains infrastructure and other capital assets and then operates those assets in return for annual payments to sell services to the public sector.

PROPERTY, PLANT AND EQUIPMENT
A non-current asset or long-term asset item which cannot easily be converted into cash.

PROVISION
An amount set aside for liabilities, which are known to exist, but which cannot be definitively measured at the date of the accounts.

PRUDENTIAL BORROWING
Borrowing which is financed from the Council's own resources and conforms to the Prudential Code.

PUBLIC WORKS LOAN BOARD
A government body set up specifically to lend money to local authorities.

RECEIVABLES
Sums of money due to the Council but unpaid at the Balance Sheet date.

RELATED PARTY
A person or an organisation which has influence over another person or organisation.

RESERVES
Amounts set aside for particular purposes but which do not conform to the definition for provisions. Movements in reserves are not part of service expenditure.

Cambridgeshire County Council

GLOSSARY

REVALUATION RESERVE
A reserve for amounts arising from the appreciated value of property; the difference between the former book value of property on the Balance Sheet and the present (revalued) book value of the property. The Revaluation Reserve will record the sum of the net gains (if any) on a property-by-property basis from revaluations made after 1 April 2007.

REVENUE CONTRIBUTIONS
The shortened form of Revenue Contributions to Capital Outlay (often abbreviated as RCCO). It refers to the financing of capital spending directly from revenue, rather than loan or other sources.

REVENUE EXPENDITURE
The day-to-day spending of the Council on such items as employees, office running costs, and the purchase of services

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset.

REVENUE SUPPORT GRANT (RSG)
The general grant paid by Central Government to aid Local Authority spending generally.

RIGHTS ISSUE
A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

SCHEDULED BODIES
Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

STOCK
Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS
An outcome as a result of taking away all expenses from income.

TRANSFER VALUES
Sums which are paid either to or received from other pension schemes and relate to new and former members’ periods of pensionable employment with employers participating in the scheme.

Cambridgeshire County Council

GLOSSARY

TRANSFEREE ADMISSION BODIES
Employers who may be admitted to the scheme if they meet the requirements of Regulation 6 and Regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that are formed when a service or function offered by a local authority or other scheduled body is contracted out to the private sector.

TREASURY MANAGEMENT
A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

TRUST
Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

TRUST FUNDS
Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

UNDERWRITER
A firm which agrees to underwrite a new issue, for a fee, thereby guaranteeing the securities will be sold.

UNIT TRUST
An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

WARRANTS
Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

Cambridgeshire County 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 in which 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, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (Solace) Framework *Delivering Good Governance in Local Government.*

This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which require all relevant bodies to prepare an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The Governance Framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the Annual Report and Statement of Accounts.

ANNUAL GOVERNANCE STATEMENT

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are:

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities. These set out and communicate the Council's vision of its purpose and intended outcomes for citizens and service users;
- An established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;
- The measurement of performance in achieving objectives through the mechanisms of the Council's performance management system;
- Embedded Codes of Conduct which define the standards of behaviour for members and employees;
- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication. The Constitution setting out Schemes of Delegation to members and officers; Financial Procedure Rules; and other supporting procedures for how decisions are taken and the processes and controls required to manage risk. Having arrangements in place to ensure these are reviewed regularly;
- An Audit and Accounts Committee which is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
- Statutory officers to support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
- Embedded arrangements for whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;
- A Consultation Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them.
- A committee-based system of governance, which provides the Council with the high standards of Governance expected of a local authority. Under the committee system of governance, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary.

Cambridgeshire County Council

ANNUAL GOVERNANCE STATEMENT

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control.

The review of effectiveness is informed by:

- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment.
- The Chief Internal Auditor's and Risk Management's annual reports.
- Comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with all members, the Audit and Accounts Committee and the Corporate Leadership Team, as appropriate.

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Chief Internal Auditor in Public Service Organisations.
- In 2016/17, a complete review and re-drafting of the Council's Code of Corporate Governance was undertaken by staff within Internal Audit and reviewed with the Monitoring Officer, to reflect the new *Delivering Good Governance in Local Government Framework* issued by CIPFA/Solace in 2016.
- The annual report and opinion on the Internal Control environment prepared by the Chief Internal Auditor. This report draws upon the outcome of audit reviews undertaken throughout 2016/17 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls.
- The completion of Self-Assurance Statements by directors.
- The consideration of relevant outputs from member- and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

Cambridgeshire County Council

ANNUAL GOVERNANCE STATEMENT

The key aspects of the review of effectiveness are:

i. Council Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as set out in the Business Plan.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning which has the full involvement of executive councillors and all senior managers of the Council. This ensures financial plans realistically support the delivery of the Council's priority outcomes and strategy obligations in the short and medium terms. The Business Planning process is subject to ongoing development and improvement, and in 2016/17 there has been a focus on ensuring a joined-up 'One Council' approach to Business Planning, with the introduction of a new pipeline process for Business Planning proposals and an emphasis on developing full Business Cases for all proposals.

The budget preparation process was subject to robust challenge by councillors and involved extensive consultation with the people and businesses of Cambridgeshire.

ii. Performance Management

The Council presents a corporate Integrated Resources and Performance Report to councillors on a monthly basis. This is available to the public on the Council's internet site, giving them an insight into the Council's overall performance.

In 2017/18 a review of the Council's corporate Key Performance Indicators will be undertaken, with the intention of aligning these more closely to financial reporting.

iii. Executive Decision Making and Scrutiny

Executive decisions are made by one of the Council's five cross-party service committees. A process is in place to allow for executive decisions to be reviewed following request by at least 8 members which must be made within 3 days of a decision being published.

Following a decision at the 23rd May 2017 meeting of the Council, from this point onwards executive decisions may be reviewed following request by at least 8 members of the General Purposes Committee, which must be made within 3 days of a decision being published.

iv. The Audit and Accounts Committee

The Audit and Accounts Committee provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit Committee.

The Audit and Accounts Committee met regularly during 2016/17, considering reports, including the annual Internal Audit Report, from the Chief Internal Auditor, the Council's Senior Finance Officers and the External

Auditor. Additionally, the Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year.

v. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, and the Executive Director of Children, Families and Adult Services were effectively fulfilled during 2016-17 and up to the date of this report.

vi. Management

The Council's Executive and Corporate Directors have provided assurance through Self-Assurance Statements that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks;
- Service Directors and/or relevant senior staff have provided assurance on the key elements of risk and control in their areas of responsibility;
- Throughout the financial year they consider that risks and internal controls have been sufficiently addressed to provide reasonable assurance of effective financial and operational control, compliance with the Code of Corporate Governance and other laws and regulations.

It was noted as part of this assessment that a review of the Assurance Framework of the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (GCGP), for which Cambridgeshire County Council is the Accountable Body, had highlighted a knowledge gap in some members of the GCGP team, which is being addressed through training in 2017/18.

vii. Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Chief Internal Auditor to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Chief Internal Auditor provided his annual report to the Audit Committee on 30th May 2017. The report outlined the key findings of the audit work undertaken during 2016/17, including areas of significant weakness in the internal control environment.

Cambridgeshire County Council

ANNUAL GOVERNANCE STATEMENT

An assurance scoring mechanism, based on three opinions, is used to reflect the effectiveness of the Council's internal control environment. The opinions are:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the audit reviews undertaken during 2016/17, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

It is the opinion of the Chief Internal Auditor that, taking into account all available evidence, good assurance was awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2016/17, and this remains at a similar level from 2015/16. The detail to support this assessment was provided in the Annual Internal Audit Report which was presented to the Audit and Accounts Committee on 30th May 2017.

viii. Review of Internal Audit

The Public Sector Internal Audit Standards were introduced from April 2013. A self-assessment of Internal Audit's compliance with these Standards is conducted annually and was most recently presented to the Audit and Accounts Committee in June 2016. The Cambridgeshire office of LGSS Internal Audit also underwent an external review of compliance with Public Sector Internal Audit Standards in December 2016. This included a review of a number of audits undertaken over the current and previous financial year; interviews with relevant officers, including all members of the Internal Audit team along with the Council's Chief Finance Officer, Monitoring Officer and Chief Executive; and consideration of Internal Audit policies and procedures.

This review identified no areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity, an extremely positive result. Some areas for improvement were identified, and these will be implemented before a follow-up assessment is conducted in 2017/18 against the latest set of Public Sector Internal Audit Standards released in April 2017.

ix. External Audit

BDO was the Council's appointed External Auditor for the 2015/16 Accounts. As well as an examination of the Council's financial statements, the work of the Council's External Auditor included an assessment of the degree to which the Council delivers value for money in its use of its resources. In the Annual Audit letter, the External Auditor issued an unqualified conclusion on the ability of the Council to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

ANNUAL GOVERNANCE STATEMENT

x. Risk Management

The Council managed its risks during 2016/17 in accordance with the approved Risk Management Policy and the Risk Management Procedures. The Strategic Management Team and Directorate Management Teams formally considered risk on a quarterly basis. Quarterly risk management reports were submitted to both the General Purposes Committee and the Audit and Accounts Committee.

The Internal Audit Plan for 2017/18 presented to the Audit and Accounts Committee in March 2017 is substantially based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2017/18.

A full review of the Council's corporate risk register and risk management is planned for 2017/18, and will take place alongside the review of corporate KPIs, to align risk reporting more closely to the Council's financial reporting processes.

SIGNIFICANT GOVERNANCE ISSUES

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements. However, there are no such actions requiring specific mention in the 2016/17 Annual Governance Statement.

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and a significant reduction in Central Government funding, particularly from 2017/18 onwards. The Council's 5 year Business Plan is reflective of these pressures, and will be subject to annual review to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

It is recognised that in order to address this increased financial pressure on the organisation, the Council needs to transform and develop more effective working across all services. To achieve this, the Council has developed a Transformation Programme. In 2016/17 this has delivered a major restructure of key strategic functions including project management, business intelligence and communications, to operate as a central corporate resource. These services are now better placed to support further transformation across the organisation and ensure improved information-sharing across all the Council's directorates and services. The Transformation Programme will continue to be implemented and developed further in 2017/18, including the implementation of a new project management system across the Council and further development of the Business Planning process. Procurement and commissioning continues to be a key focus of the Transformation Programme to ensure the Council can drive best value from its contracts, and Internal Audit compliance testing will continue to support this.

Cambridgeshire County Council

ANNUAL GOVERNANCE STATEMENT

In order to address financial pressures across the public sector, partnership working between the County Council and other public sector organisations is increasingly important. The 2015/16 review of governance arrangements identified that this was an area where Council guidance had become outdated. Therefore in 2016/17, a new Partnerships Governance Framework was produced at the County Council, to guide staff on the set-up, governance and management of effective partnerships.

On 16th March 2017, the Secretary of State for Communities and Local Government announced the Cambridgeshire and Peterborough Combined Authority devolution deal. The integrity of Cambridgeshire County Council is protected under this deal and the Council will continue to deliver the vast majority of services for residents as it does currently, with the Leader of the Council acting as a member of the Combined Authority. In future years, there is the potential that devolution in the region could evolve further and this may impact further upon the authority's governance arrangements. Cambridgeshire County Council already works closely with other local authorities in the region, and shares a Chief Executive and several Directors with Peterborough City Council.

CONCLUSION

Based on the work that has been completed, assurance can be taken that the governance arrangements at Cambridgeshire County Council are fit for purpose.

Cambridgeshire County Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements. Implementation of these actions will be monitored through the next annual review.

CHAIRMAN OF GENERAL PURPOSES COMMITTEE AND CHIEF EXECUTIVE STATEMENT

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Councillor Steve Count
Chairman of the General Purposes Committee

Gillian Beasley
Chief Executive

May 2017

Councillor Michael Shellens
Chairman of the Audit and Accounts Committee