Appendix 3

CAMBRIDGESHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2013-14

Cambridgeshire County Council

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Cambridgeshire County Council

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'Making Cambridgeshire a great place to call home'

OUR PRIORITIES

Like all Councils across the country, we are facing a very tough time. We are required to make yet more significant cuts to our services – cuts that will inevitably hit our communities.

We have already made substantial savings, including £35.4m in 2013-14, and 2014-15 will require us to find another £38.2m, largely due to inflation and demographic pressures. We have achieved this while investing in areas our residents prioritise. This has meant some hard choices and being innovative about the way we deliver services.

Despite the increased pressure we are under, our vision has remained the same – to do what is best for the people of Cambridgeshire. As a result, the Council's priorities in 2013-14, remain the most important things we will continue to do in 2014-15. These are summarised in 3 key areas:

- **Develop the local economy for the benefit of all**
- **Help people live healthy and independent lives**
- **Support and protect vulnerable people.**

For more details about how we will achieve this, please see the Council's *2014-15 Business Plan* at:

http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015

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:

http://www.cambridgeshire.gov.uk/info/20146/council_meetings

Cambridgeshire County Council plays an integral part in countywide partnerships that bring together public, private and voluntary sector organisations in Cambridgeshire. These include Cambridgeshire's Children's Trust and the Health and Wellbeing Board. You can find out more information about the work of these groups on our website using the following link:

http://www.cambridgeshire.gov.uk/CMSWebsite/Apps/Committees/Committee.aspx?committeeID=70

http://www.cambridgeshire.gov.uk/CMSWebsite/Apps/Committees/Committee.aspx?committeeID=29

EXPLANATORY FOREWORD

INTRODUCTION

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 2014, and to summarise the overall financial position of the Council as at 31 March 2014. This section provides an overview of the financial performance and position of the Council, with supporting detail set out within the following sections:

- Statement of Responsibilities, Certificate and Approval of Accounts (page 24)
- Core financial statements (pages 26-29)
- Notes to the core financial statements (pages 30-109)
- The Pension Fund accounts (pages 110-150)

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise the '*Code of Practice on Local Authority Accounting in the United Kingdom 2013-14'*, supported by *International Financial Reporting Standards (IFRS)*.

The purpose of the Council's published Statement of Accounts is to give its key stakeholders – including electors, those subject to locally levied taxes and charges, Council members and employees – clear information about the Council's finances. It also allows the Council's financial performance to be comparable with those of other local authorities.

THE STATEMENT OF ACCOUNTS

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2013-14. The various sections and their contents are as follows:

Independent Auditors' Report to Members (page 18)

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 after the end of the scheme year.

Statement of Responsibilities, Certifcate and Approval of Accounts (page 24)

This statement sets out the responsibilities of the Council and identifies the officer responsible for the proper administration of the Council's finances.

Movement in Reserves Statement (page 26)

This statement shows the movement in the year on the different reserves held by the Council. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'net increase/ decrease before transfers to earmarked reserves' line shows the statutory General Fund

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Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (page 27)
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 and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Balance Sheet (page 28)
The Balance Sheet is fundamental to the understanding of the Council's financial position at the end of the year. It shows the value as at the Balance Sheet date of the Council's current and non-current assets and liabilities, which 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. This includes reserves 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.

Cash Flow Statement (page 29)
This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Notes to the core financial statements (page 30)
The notes to the financial statements are fundamentally important 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 110)
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.

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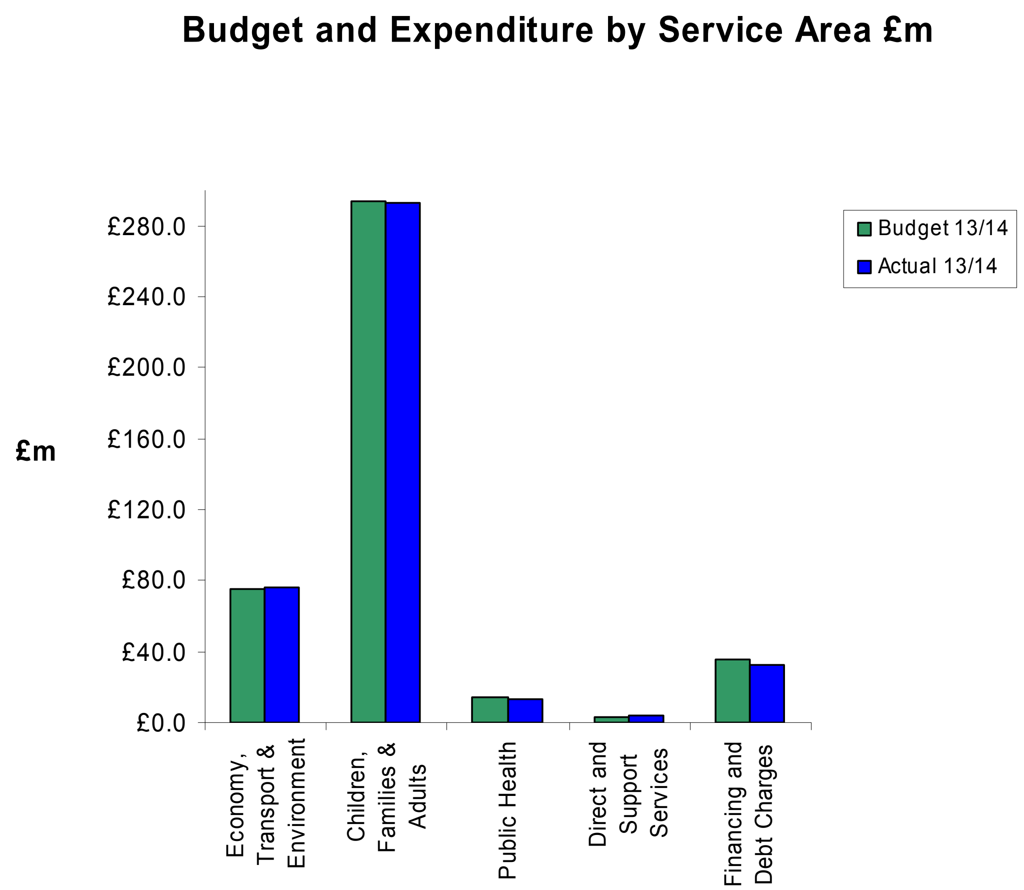
OVERVIEW OF THE YEAR

1. Revenue spending on services

The Council's net cost of services for 2013-14 was £413.9m. This figure was £5.8m lower than the net expenditure for the year of £419.7m that was reported to the General Purposes Committee within the Outturn Integrated Resources and Performance Report in May. 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 by service, and 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 23 (page 73-77).

For clarity, the chart below is based on the spending of the year of £419.7m and outlines how much we spent by service area compared to budget:

Budget and expenditure by service area £m (see note 23)



* - Direct and Support Services includes LGSS Cambridge Office

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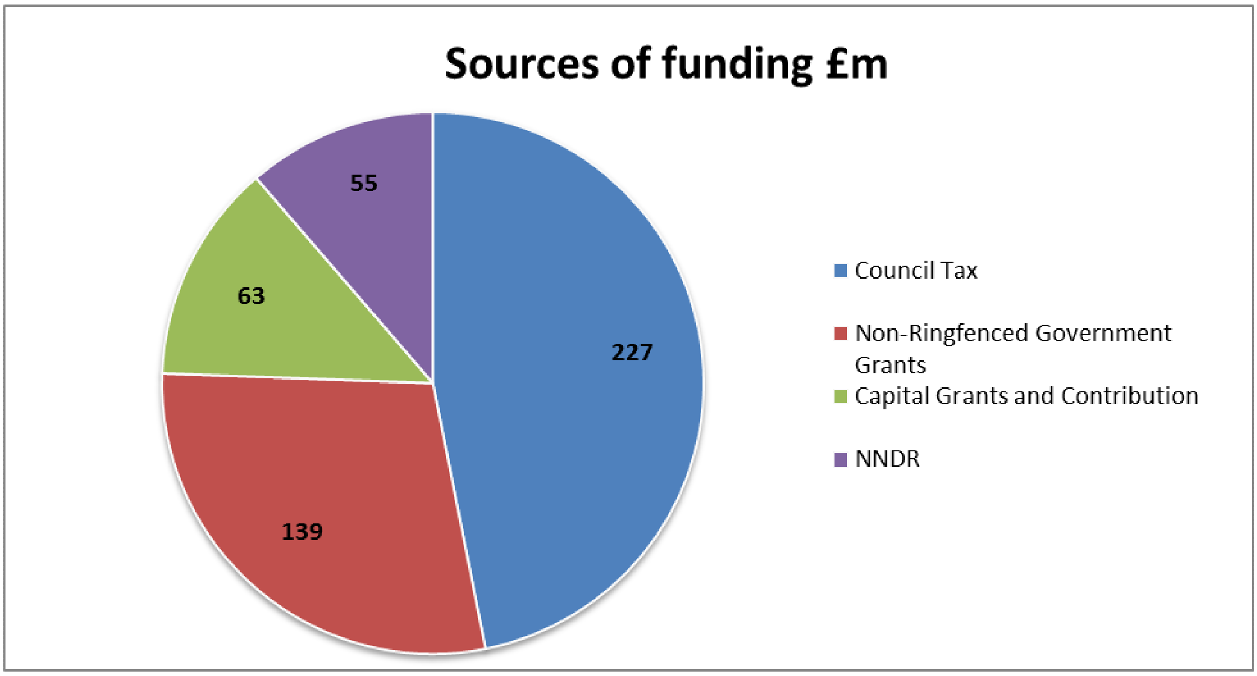
The Council's net budget is mainly financed through council tax, business rates and government grant, as shown below:



- **Non-ringfenced government grants** are the general Revenue Support Grant, plus other general grants, paid by central government to aid local authority spending.

- **National Non-Domestic Rates** are collected from businesses on behalf of the Council by billing authorities, pooled by central government and then redistributed to councils on a formula basis.

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 revised capital budget for the year was £168.2m. Actual capital expenditure financed from capital resources for the year was £106.1m, leaving some £62.1m of the revised capital budget unspent at the year end. However, it must be noted that this is 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. The chart below outlines the investments made during the financial year (in millions of pounds):

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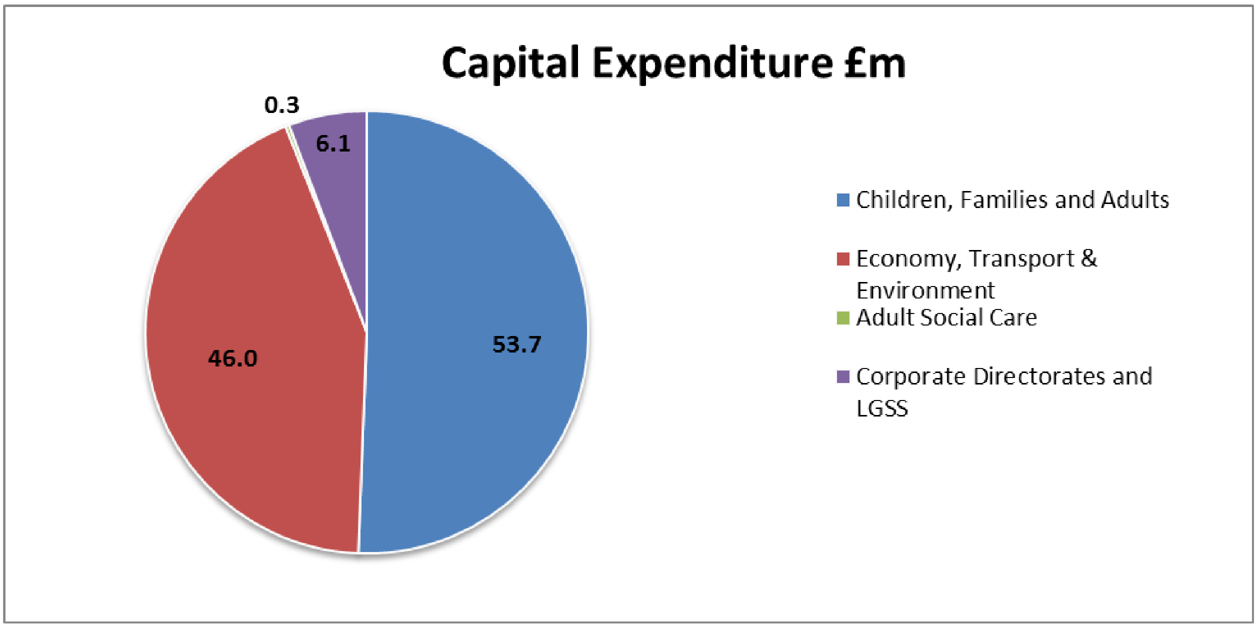
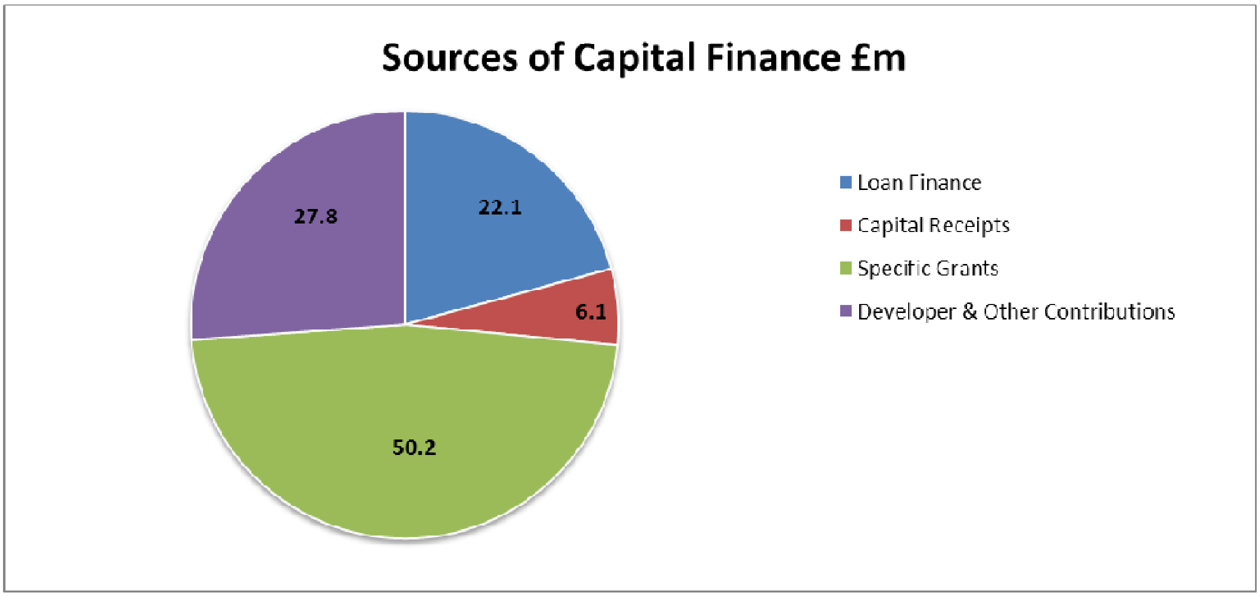


Although capital expenditure was lower than anticipated, some spending (especially on general funded schemes) proceeded sooner than estimated. The cost of prudential borrowing has been factored into the 2013-14 debt charges outturn position, as well as being accounted for within the 2014-15 Business Planning process.

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



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

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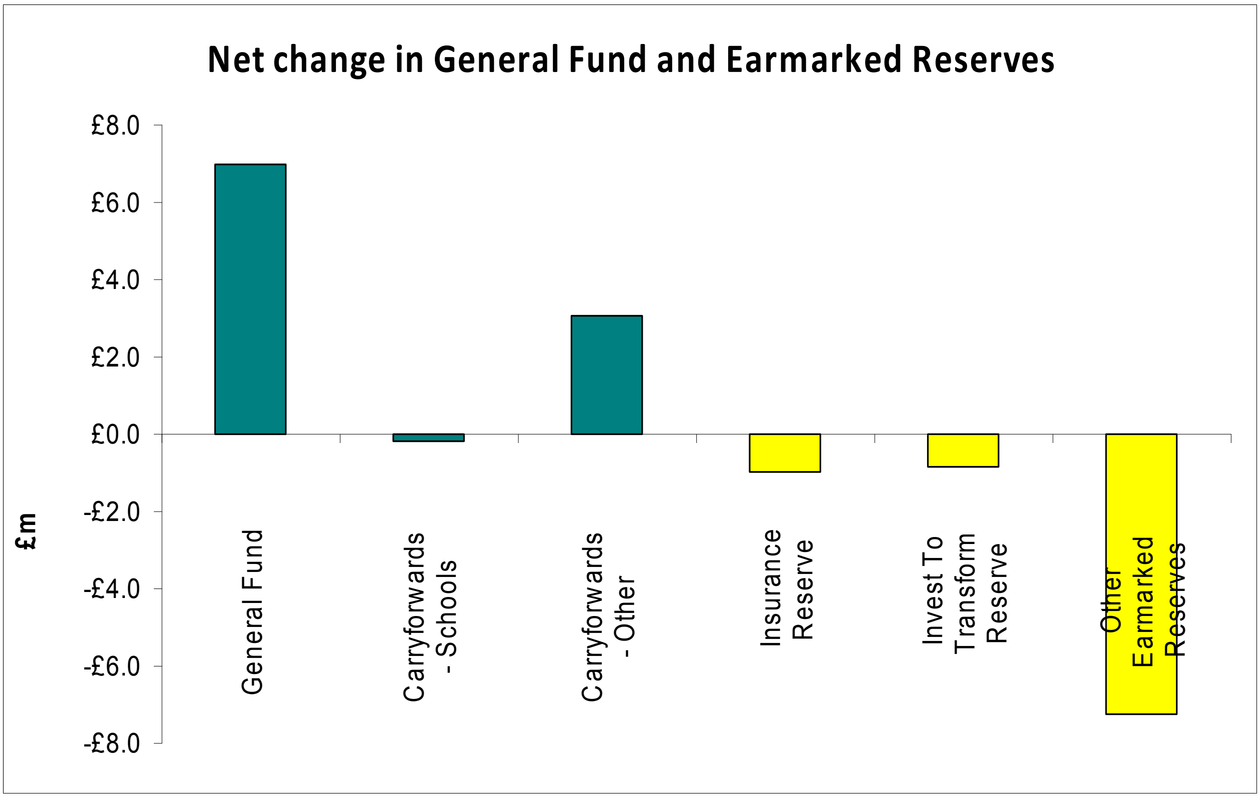
3. Reserves

The Council's total reserves have decreased to £770.4m by the 31 March 2014. This balance comprises £82.6m (10.7%) of 'Usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £687.8m (89.3%) of 'Unusable' reserves (those that an authority is not able to utilise to provide services).

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 2014, these reserves stood at £66.4m. Of this balance, the General Fund comprised £12.3m (2.9% of the net 2013-14 budget) and reserves earmarked for specific purposes totalled £54.1m, including £22.5m under the control of locally managed schools and £4.1m to cover insurance risks.

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



4. Assets and liabilities

During 2013-14 the net assets of the Council, and therefore its Balance Sheet value, decreased by £60.5m (7.3%). The material items which caused this net decrease include a £40m reduction in the net book value of the Council's property assets, plus a worsening of the working capital position (net current assets). In addition, finance lease liabilities relating to the Council's Private Finance Initiative projects increased by £7.8m and long term borrowing rose by £5.1m.

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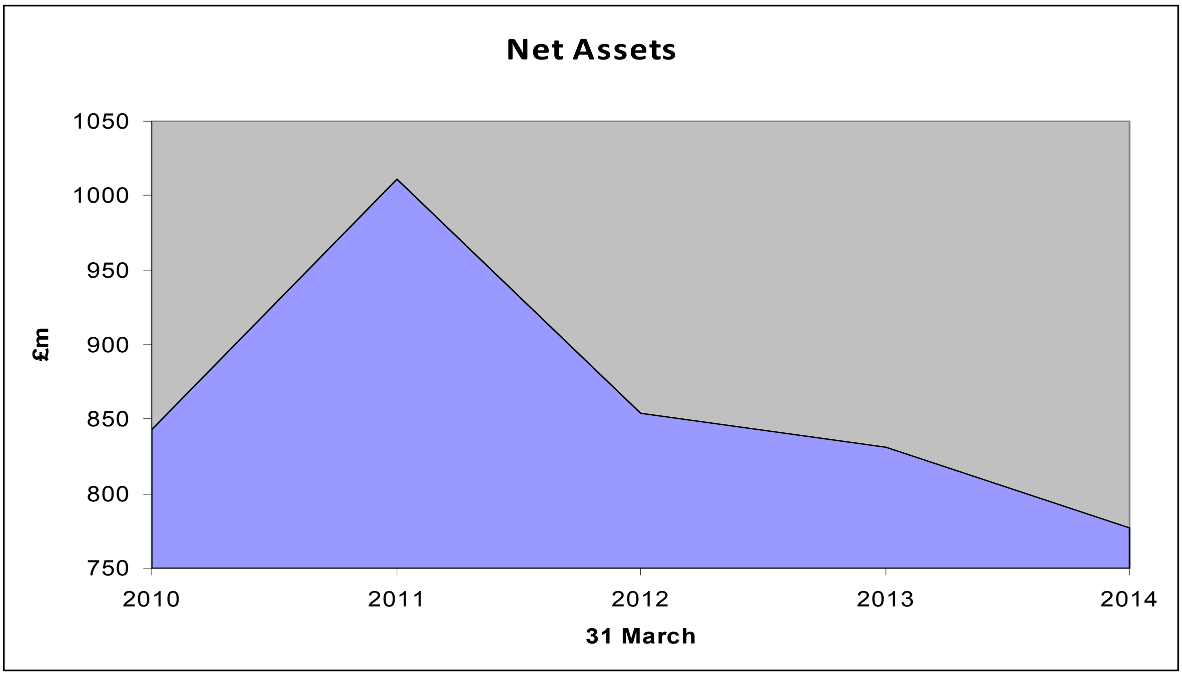

The Council had an increased cash and cash equivalents position at the end of 2013-14 compared with that at the end of 2012-13, with a net positive balance of £19.5m rising to a balance of £42.2m. However, it should be noted that this does not represent the actual balance on the Council's accounts at the bank, but the book balance taking timing differences into account. The cash in the current accounts is maintained at +/- £2 million, through use of temporary loans and deposits.

5. External borrowing and investment

Total debt outstanding at the year-end was £382.6m, well within the maximum limit determined in accordance with legislation of £563m. There was a net increase of £5.1m in long-term loans in the year and a net decrease of £0.2m in short term loans. New loans were raised to fund the capital programme and working capital commitments.

Cash surpluses occurring 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.

ACADEMY CONVERSIONS

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

By 31 March 2013, 42 schools had converted to academy status and 15 further schools had converted during 2013-14. All but two of the Cambridgeshire secondary schools are now Academies – of the two left, one is a Foundation School and the other is a Free School.

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Although over 180 schools remain maintained by the Council, the conversion of schools in 2013-14 means a sizeable proportion of school spending, assets and workforce are no longer reported as part of the Council's accounts. Academies produce their own financial statements.

CONNECTING CAMBRIDGESHIRE

The Connecting Cambridgeshire programme is set to improve broadband provision across Cambridgeshire and Peterborough. Its aim is to provide at least 90% of homes and businesses with access to superfast broadband with speeds of at least 24 Mbps and to provide better broadband connectivity for all remaining premises by 2015.

In March 2013 following a competitive selection process Cambridgeshire County Council signed a contract with BT who will contribute £16 million to the £45 million project to roll out superfast broadband over the next 3 years.

The first phase of the broadband roll-out is close to completion with 90 new fibre cabinets going live providing superfast broadband access for over 20,000 premises. The second phase of the roll-out runs from June to September 2014 and will see the programme reach over a third of its final target of 90,000-plus premises.

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

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payments were £730m over the 28-year contract period (termination due in 2036). An element of this payment related to financing the construction of a Mechanical Biological Treatment (MBT) plant, with a total cost of £42m. The purpose of the plant was to reduce the waste being sent to landfill and consequently reduce costs to the County Council.

CAMBRIDGE SCIENCE PARK STATION

In November 2012 a public consultation was undertaken on construction of a rail station located in the North of Cambridge, it highlighted 89% of responses were in favour of the station in principle. The new railway station will provide access to the rail network from the north Cambridge area without the need to travel through the city centre.

It will include connection facilities for public transport, such as the Busway. Therefore it will also make the station accessible for those living in Huntingdon, St Ives, Swavesey and Histon, as well as providing a rapid transport link for the new Northstowe development.

It will give people an opportunity to take the train to the north Cambridge area and avoid driving along the congested A14 and A10 and will provide a much needed link to some of Cambridge's main business areas, including the Science Park, St John's Innovation Centre and Cambridge Business Park. This will make the north Cambridge area an even more attractive place for businesses to grow and locate, helping to boost the local economy.

In December 2013 planning permission for the Cambridge Science Park Station Interchange was granted and £6m was secured from Department for Transport for the advanced delivery of enabling works including the extension of the Busway, cycle improvements on Cowley Road, and other pedestrian and cycle connections.

Following the Council's lead on the development phase of the project, Network Rail and the Department for Transport have now taken over full responsibility for the delivery phase of the scheme including the detailed design and construction of the works on the Chesterton sidings site by May 2016. The Council will be delivering the enabling and access works by the end of March 2015.

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CAMBRIDGE CITY DEAL

As part of the 2014 Budget in March, Central Government announced their agreement for a Greater Cambridge City Deal, which will deliver a step change in investment capability; a higher rate of growth in jobs and homes with benefits for the whole County and the wider LEP area. The agreements will provide a grant of up to £500 million for new transport schemes. However, only £100 million of funding is initially guaranteed with the remaining funding dependent on the achievement of certain triggers, with those tranches of funding becoming available in April 2020 and April 2025. The Deal was signed on 19th June 2014.

The Council worked closely with Cambridge City Council, South Cambridgeshire District Council, Cambridge University and the Greater Cambridge and Greater Peterborough Local Enterprise Partnership (LEP) to negotiate the deal. One result of the announcement will be a changed set of governance structures to pool funding and powers; initially through a joint committee with the intention of moving to a combined Authority should legislation be changed to allow for this, enabling delivery of a more joined-up and efficient approach to the key economic issues facing the region.

Despite this deal, as with the revenue position, external factors pose a significant challenge to the Council as it determines how to invest in order to meet its vision and priorities, while facing funding reductions in several areas but increasing demands in its infrastructure.

MAKING ASSETS COUNT PROGRAMME

The Making Assets Count (MAC) programme is one of the key partnerships in relation to the overarching Capital Strategy, and allows partners, including the district councils and the Fire and Rescue Service, to effectively collaborate on strategic asset management and rationalise the combined operational property estate within the County.

MAC projects include the delivery of a Joint Operations Centre for public sector partners in the south of Cambridgeshire (co-locating highway, ground and housing maintenance, fleet service

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and vehicle storage operations services) and creation of a public property partnership joint venture to deliver property-related benefits in key market towns.

PUBLIC HEALTH REFORM

On 1 April 2013 public health staff and services were transferred from primary care trusts (PCTs) to local authorities. The Public Health service is concerned with understanding the health, wellbeing and care needs of our local communities and ensuring that 'health inequalities' are tackled by improving the health of the poorest members of our community. The primary aims are to ensure action is taken to protect the health of the public; prevent ill-health; promote healthy lifestyles and provide advice on commissioning of health and care services to meet population needs.

To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant. For Cambridgeshire in 2013-14 this was worth £21.2 million.

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 triennial formal valuation of the Fund was carried out as at the 31 March 2013. Following this, the estimated pension deficit for the Council, measured on an actuarial basis, has decreased from £440m at 1 April 2013 to £438m at 31 March 2014. Financial assumptions at 31 March 2014 were less favourable than they were at 31 March 2013, resulting in an increase to the value of the Fund's liabilities. However, actual investment return on the Fund's assets during 2013-14 was 7.2%, which was higher than the typical expected asset return at the start of the year. Overall, this combination of higher than expected investment returns, partially offset by worsening financial assumptions, has resulted in a small decrease in the deficit amount. This deficit will be managed by increased employer contributions over the remaining working life of employees, as assessed by the actuary.

LGSS

LGSS is the shared back office operation created by Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) in October 2010. It provides a wide range of strategic, professional, operational and transactional services including Finance, Property, 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. For the first time also LGSS has prepared its separate Annual Report (Statement of Accounts and Annual Governance Statement) for 2013-14.

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The LGSS overall performance for 2013-14 is summarised below:

	2013-14 Budget £000	2013-14 Expenditure £000	2013-14 Variance £000
Northampton Office	14,348	13,344	-1,004
Cambridge Office	11,721	10,716	-1,005
Total	***26,069**	**24,060**	**-2,009**

*The 2013-14 budget figure comprises the net LGSS budget of £25,423k plus £646k in respect of a year end insurance recharge

All surpluses and deficits after any retained earnings re-invested by LGSS are shared on a 50:50 arrangement via a dividend to each of the host authorities.

See note 31 (page 86) for further information.

FUTURE CHALLENGES

Looking forward, cost pressures are forecast to outstrip available resources, given the rising costs caused by inflation, growth and associated demographic pressures combined with significantly reduced levels of funding. Consequently, the Council needs to make significant savings to close the budget gap.

Achieving these savings over the next five years has meant making tough decisions on which services to prioritise. During the last few years services have made significant savings through increasing efficiency and targeting areas that are not our highest priority with the aim of minimising the impact on our service users. With no respite from the continuing cuts to our funding, we have entered an environment where any efficiencies to be made are minimal. We must accept therefore that more and more of the challenge will be met through service reductions.

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The following table shows an update of the total amount of savings/ increased income necessary for each of the next five years as presented at General Purposes Committee on the 9 September 2014:

	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Total Savings Requirement	35,919	33,300	24,820	21,724	9,761	125,524
Cumulative Savings Requirement	35,919	105,138	199,177	314,940	440,464	

CONCLUSION

I am extremely grateful to all the finance staff across the Council 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
Chief Finance Officer (Section 151 Officer)
23 September 2014

FURTHER INFORMATION

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

Address: SH1304, Shire Hall,
Castle Hill, Cambridge,
CB3 0AP

Telephone: 01223 715333

Email: corporate.finance@cambridgeshire.gov.uk
Web: Statement of Accounts

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE CAMBRIDGESHIRE COUNTY COUNCIL (THE "AUTHORITY")

REPORT ON THE FINANCIAL STATEMENTS

Our opinion
In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2014 and of the Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 and the CIPFA Service Reporting Code of Practice 2013-14.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The financial statements, which are prepared by Cambridgeshire County Council comprise:

- the Balance Sheet as at 31 March 2014;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 supported by the CIPFA Service Reporting Code of Practice 2013-14.

In applying the financial reporting framework, the Chief Finance Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Finance Officer; and

INDEPENDENT AUDITORS' REPORT

- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON OTHER MATTER PRESCRIBED BY THE CODE OF AUDIT PRACTICE

In our opinion the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998[1]; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page18, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 and the CIPFA Service Reporting Code of Practice 2013-14.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

INDEPENDENT AUDITORS' REPORT

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

REPORT ON THE PENSION FUND ACCOUNTS

Our opinion

In our opinion the pension fund accounts, defined below:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014, and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The pension fund accounts contained within the Statement of Accounts of Cambridgeshire County Council for the year ended 31 March 2014, comprise:

- the Net Assets Statement as at 31 March 2014;
- the Fund Account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

In applying the financial reporting framework, the Chief Finance Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of pension fund accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounts sufficient to give reasonable assurance that the pension fund accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

INDEPENDENT AUDITORS' REPORT

- whether the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Finance Officer; and
- the overall presentation of the Pension Fund Accounts.

In addition, we read all the financial and non-financial information in the Cambridgeshire Local Government Pension Scheme Annual Report and Statement of Accounts to identify material inconsistencies with the audited pension fund accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS AND THE AUDIT

Our responsibilities and those of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 18, the Chief Finance Officer is responsible for the preparation of the pensions fund accounts and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OPINION ON OTHER MATTER PRESCRIBED BY THE CODE OF AUDIT PRACTICE

In our opinion the information given in the explanatory foreword for the financial year for which the pension fund accounts are prepared is consistent with the pension fund accounts.

CONCLUSION ON THE AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 15 October 2013, we are satisfied that, in all significant respects,

INDEPENDENT AUDITORS' REPORT

Cambridgeshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 15 October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Our responsibilities and those of the Authority

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

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

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

INDEPENDENT AUDITORS' REPORT

CERTIFICATE

We certify that we have completed the audit of the financial statements of Cambridgeshire County Council and of the pension fund accounts of the Cambridgeshire Pension Fund in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Julian Rickett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 St James Court
Whitefriars
Norwich
NR3 1RJ

Date:

- The maintenance and integrity of the Cambridgeshire County Council and Cambridgeshire Pension Fund websites are the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts may differ from legislation in other jurisdictions.

Cambridgeshire County Council

STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- 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;
- Approve the Statement of Accounts.

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 has also:

- 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 2014 and its income and expenditure for the year 2013-14, and authorise the accounts for issue.

Chris Malyon
Chief Finance Officer
Date: 23 September 2014

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 23 September 2014.

Signed on behalf of
Cambridgeshire County Council:

Cllr. Michael Shellens
Chairman of the
Audit and Accounts Committee
Date: 23 September 2014

Cambridgeshire County Council

MOVEMENT IN RESERVES STATEMENT

	General Fund[1] £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied[2] £000	Usable Reserves Total[1] £000	Unusable Reserves Total[1] £000	Reserves Total £000
Balance at 1-Apr-12	**3,451**	**59,671**	**1,443**	**25,918**	**90,483**	**763,276**	**853,759**
Movement in 2012-13:							
Deficit on the provision of services	-27,801	-	-	-	**-27,801**	**-**	**-27,801**
Other comprehensive income and expenditure	-	-	-	-	**-**	**4,968**	**4,968**
Total comprehensive income and expenditure	**-27,801**	**-**	**-**	**-**	**-27,801**	**4,968**	**-22,833**
Adjustments between accounting and funding basis under regulations (note 7)	30,261	-	3	-233	**30,031**	**-30,031**	**-**
Increase/ decrease (-) before transfers to earmarked reserves	**2,460**	**-**	**3**	**-233**	**2,230**	**-25,063**	**-22,833**
Transfers to earmarked reserves	-547	547	-	-	**-**	**-**	**-**
Increase/ decrease (-) in 2012-13	**1,913**	**547**	**3**	**-233**	**2,230**	**-25,063**	**-22,833**
Balance at 31-Mar-13	**5,364**	**60,218**	**1,446**	**25,685**	**92,713**	**738,213**	**830,926**
Movement in 2013-14:							
Deficit on the provision of services	-105,616	-	-	-	**-105,616**	**-**	**-105,616**
Other comprehensive income and expenditure	-	-	-	-	**-**	**45,101**	**45,101**
Total comprehensive income and expenditure	-105,616	-	-	-	**-105,616**	**45,101**	**-60,515**
Adjustments between accounting and funding basis under regulations (note 7)	106,423	-	-7	-10,883	**95,533**	**-95,533**	**-**
Increase/ decrease (-) before transfers to earmarked reserves	807	-	-7	-10,883	**-10,083**	**-50,432**	**-60,515**
Transfers to earmarked reserves (note 8)	6,165	-6,165	-	-	**-**	**-**	
Increase/ decrease (-) in 2013-14	**6,972**	**-6,165**	**-7**	**-10,883**	**-10,083**	**-50,432**	**-60,515**
Balance at 31-Mar-14	**12,336**	**54,053**	**1,439**	**14,802**	**82,630**	**687,781**	**770,411**

[1]Restated for IAS19 (Revised 2011) adjustments
[2]This reserve also includes Capital Contributions Unapplied

This statement shows the reserves held by the Council, analysed into 'usable' and 'unusable'. The 'surplus/ (deficit) on the provision of services line' shows the true cost of providing services, which are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'increase/ decrease before transfers to/ from earmarked reserves' line shows the General Fund Balance before discretionary transfers.

Cambridgeshire County Council

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012-13 Gross Expenditure £000	2012-13 Gross Income £000	2012-13 Net Expenditure/ Income (-) £000		2013-14 Gross Expenditure £000	2013-14 Gross Income £000	2013-14 Net Expenditure/ Income (-) £000
2,757	-1,156	**1,601**	Central services to the public	2,874	-1,207	**1,667**
11,263	-1,070	**10,193**	Culture and related services	11,469	-1,174	**10,295**
47,169	-4,602	**42,567**	Environment and regulatory services	28,234	-5,519	**22,715**
5,618	-2,493	**3,125**	Planning services	7,363	-3,574	**3,789**
451,729	-309,273	**142,456**	Education and children's services	446,013	-301,088	**144,925**
76,560	-14,598	**61,962**	Highways and transport services	58,716	-8,648	**50,068**
213,980	-40,669	**173,311**	Adult social care	206,820	-44,214	**162,606**
11,962	-16,128	**-4,166**	Corporate and democratic core	21,313	-14,887	**6,426**
-4,386	-194	**-4,580**	Non distributed costs	-1,880	-191	**-2,071**
-	-	**-**	Public Health	13,573	-140	**13,433**
816,652	**-390,183**	**426,469**	**Cost Of Services**	**794,495**	**-380,642**	**413,853**
[2]43,217	-	**43,217**	Other operating expenditure (note 9)	114,291	-	**114,291**
[1,2]40,478	-655	**39,823**	Financing and investment income and expenditure (note 10)	44,072	-641	**43,431**
-	-481,708	**-481,708**	Taxation and Non-Specific Grant Income (note 11)	-	-465,959	**-465,959**
		27,801	**Deficit on Provision of Services**			**105,616**
		-49,185	Surplus on revaluation of long-term assets			**-33,848**
		2,043	Impairment losses charged to the Revaluation Reserve			**10,155**
		[1]**42,174**	Remeasurement of net defined benefit/ liability			**-21,408**
		-4,968	**Other Comprehensive Income and Expenditure**			**-45,101**
		22,833	**Total Comprehensive Income and Expenditure**			**60,515**

[1]Restated for IAS19 (Revised 2011) adjustments – see note 37.
[2]Restated to present trading unit results in accordance with 13-14 Code of Practice.

This statement shows the accounting cost of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from 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

BALANCE SHEET AS AT 31 MARCH 2014

31-Mar-13 £000		Note	31-Mar-14 £000
1,757,275	Property, Plant and Equipment	12	1,717,492
20,708	Heritage Assets	13	20,715
4,106	Long Term Receivables	14	3,569
1,782,089	**Long Term Assets**		**1,741,776**
422	Assets Held for Sale	16	1,100
392	Inventories		736
86,902	Short Term Receivables	17	70,154
22,543	Cash and Cash Equivalents	18	43,930
110,259	**Current Assets**		**115,920**
-3,061	Cash and Cash Equivalents	18	-1,681
-3,675	Short Term Borrowing	15	-3,514
-100,388	Short Term Payables	19	-119,893
-5,647	Provisions	20	-4,535
-24,131	Capital Grants and Contributions Receipts in Advance	30	-17,405
-136,902	**Current Liabilities**		**-147,028**
-4,721	Provisions	20	-4,718
-374,022	Long Term Borrowing	15	-379,125
-532,809	Other Long Term Liabilities		-539,779
-12,968	Capital Grants and Contributions Receipts in Advance	30	-16,635
-924,520	**Long Term Liabilities**		**-940,257**
830,926	**Net Assets**		**770,411**
92,713	Usable Reserves	21	82,630
738,213	Unusable Reserves	22	687,781
830,926	**Total Reserves**		**770,411**

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.

Chris Malyon (Chief Finance Officer)
Date: 23 September 2014

The notes on pages 30 to 109 form part of the financial statements.

CASH FLOW STATEMENT

2012-13 £000		2013-14 £000
23,089	**Net deficit on the provision of services**	**105,616**
-40,658	Depreciation	-35,189
-29,096	Impairment and downward valuations	6,528
42	Increase in impairment for bad debts	1,012
26,572	Increase (-)/ decrease in payables	-20,701
9,745	Increase/ decrease (-) in receivables	-17,760
-360	Increase/ decrease (-) in inventories	344
5,565	Movement in pension liability	19,359
-51,982	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-119,998
-47,960	Other non-cash items charged to the deficit on the provision of services	-2,236
-128,132	**Adjustments to the net deficit on the provision of services for non-cash movements:**	**-168,641**
9,130	Proceeds from the sale of property, plant and equipment	6,079
74,491	Any other items for which the cash effects are investing or financing cash flows	23,977
83,621	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**30,056**
-21,422	**Net cash flows from Operating Activities**	**-32,969**
133,051	Purchase of property, plant and equipment	85,373
-9,130	Proceeds from the sale of property, plant and equipment	-6,079
-76,973	Other receipts from investing activities	-56,422
46,948	**Investing Activities**	**22,872**
-27,773	Cash receipts of short and long-term borrowing	-36,831
-9,849	Other receipts from financing activities	-7,728
9	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	-
28,401	Repayments of short and long-term borrowing	31,889
-9,212	**Financing Activities**	**-12,670**
16,314	**Net increase (-)/ decrease in cash and cash equivalents**	**-22,767**
35,796	Cash and cash equivalents at the beginning of the reporting year	19,482
19,482	**Cash and cash equivalents at the end of the reporting year (note 18)**	**42,249**

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 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2013-14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2013-14* and the *Service Reporting Code of Practice 2013-14 (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 to ensure that they are:

- Relevant: the information in the accounts is useful in assessing the Council's performance;
- Reliable: 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;
- Comparable: 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;
- Understandable: 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.

ESTIMATING TECHNIQUES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Accounts and the reported

NOTES TO THE CORE FINANCIAL STATEMENTS

amounts of income and expenditure during the reporting year. Actual results could differ from those estimates.

Where it is necessary to choose between different estimation techniques, the Council selects whichever technique is judged to be the most appropriate to its particular circumstances for the purposes of presenting the financial position in the accounts fairly. Estimates are used principally when accounting for certain government grants, financial asset impairment allowances, depreciation, asset revaluations and impairment, employee pension schemes, provisions for liabilities and charges and for reserves. Estimates are also used for receivables and payables where invoices have yet to be issued or received.

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.

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

Property, plant, and equipment are 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.

Infrastructure, community assets and assets under construction have been included in the Balance Sheet at historical cost, where cost includes the original purchase price of the asset and the costs attributable to bringing the asset to a working condition for its intended use. Assets other than infrastructure, community assets and assets under construction have been included in the Balance Sheet at their fair value. The valuation of the farms estates is based on a discounted cash flow of future rental income and capital receipts. Assets identified as surplus

NOTES TO THE CORE FINANCIAL STATEMENTS

to requirements are also measured at fair value based on existing use and Assets Held for Sale are measured at market value.

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. 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. The majority of valuations were carried out internally, however 36% of valuations were undertaken by external consultants NPS Property Consultants Limited. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors Valuation. The effective date of revaluation is the 1 April.

Asset components are split at high level into land and buildings, with the buildings 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. All assets within the Council's property portfolio have been split into their respective components, although only 80% of those assets plus asset additions have been revalued and depreciated based on updated useful lives (due to the policy of revaluing assets by component every five years). The majority of the remaining 20% of assets are depreciated over a 25-year useful life, and only after these have been revalued and depreciated over updated useful lives during the final year of the revaluation cycle will the full impact of asset componentisation be reflected.

New acquisitions are brought into the accounts at cost and revalued in the following year. Assets costing less than £20,000, or revalued to less than £20,000 and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement. Assets that are subject to part disposals are revalued in the year of disposal.

The Council's accounting policy with respect to the recognition of schools-related assets reflects guidance originally issued by the Audit Commission, such that property, plant and equipment assets and long term liabilities remain vested in the governing bodies of individual foundation and voluntary aided schools. Therefore, values and amounts relating to such bodies have not been incorporated into the Council's Balance Sheet. 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).

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;

NOTES TO THE CORE FINANCIAL STATEMENTS

- **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 as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The 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 as part of the gain or loss on disposal. Receipts from disposals (if any), net of any costs of disposal are credited to the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal. Costs can be funded by the associated capital receipt as long as they are less than 4% of the value of the receipt. Any costs over this level are therefore 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 carrying amount 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

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding long-term assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which 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). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Some expenditure is incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset (i.e. expenditure on foundation schools and academies). Instead this expenditure 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 or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

DEPRECIATION

Land is held at fair 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 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 the following month convention, where depreciation is not charged in the month of acquisition and therefore 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;
- Vehicles, Plant, Furniture and Equipment (relating to the Waste PFI) – 3 to 26 years;
- Infrastructure – 40 years.

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

NON-CURRENT ASSETS HELD FOR SALE

Assets are generally defined as 'held for sale' if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives. However, transactions including exchanges of non-current assets are within the scope where the exchange has commercial substance. Qualifying assets meet the following criteria:

- must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

- must be actively marketed for a sale at a price that is reasonable in relation to the current value;
- the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Once identified, ‘held for sale’ assets are revalued immediately before reclassification and then carried at the lower of this amount and market value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the ‘other operating expenditure’ line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the ‘surplus or deficit on provision of services’. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as ‘held for sale’, they are reclassified back to ‘Property, Plant and Equipment’ and valued at the lower of their carrying amount before they were classified as ‘held for sale’; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been reclassified, and their recoverable amount at the date of the decision not to sell.

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, environment or culture.

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 narrative disclosure in the notes to the financial statements is provided. 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;
- 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

Cambridgeshire County Council

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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.

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 and the write-down to the 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

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outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement 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 will be received. There are two types of stipulations; conditions and restrictions:

- 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

PRIVATE FINANCE INITIATIVE (PFI) SCHEMES

PFI contracts are agreements to receive services, where the responsibility for making available the long-term assets needed to provide the 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 subsequently at fair 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

- Fair 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 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.

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 to either 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

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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.

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. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

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Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are 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.

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.

INVENTORIES

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventories are valued on a 'First-In First-Out' (FIFO) basis. Work in progress is recognised at cost and held in the Balance Sheet until the work has been completed. Provision is made, if necessary, for slow moving, obsolete and defective inventory.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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 work for the Council.

However, 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 about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on an index of AA rated corporate bonds with maturities in excess of 15 years);
- 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;

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- The change in the net pensions liability is analysed into service cost and remeasurememt 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 employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The above presentation of the net pensions liability is a change to previous years in accordance with amendments to IAS19 (Revised 2011).

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.

OVERHEADS AND THE ALLOCATION OF SUPPORT SERVICE COSTS

The full costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the total absorption costing principles of the *SeRCOP 2013-14*. Where the level of service is under the control of the Service Director, a specific

NOTES TO THE CORE FINANCIAL STATEMENTS

charge for that service is made. No recharges are made for costs that are classified as Corporate and Democratic Core or non-distributed costs.

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.

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. From 2011-12 onwards the Council will only make a provision to repay debt on assets that are complete. Under option 3 of the Minimum Revenue Provision (MRP) guidance, charges will be spread over the estimated life of the asset in equal instalments.

The major proportion of the MRP will relate to the historic debt liability up to 31 March 2007 that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. This 'base' Capital Financing Requirement (CFR) position will be reduced by the MRP charged against it annually. From 1 April 2007 onwards, expenditure on completed assets only will be subject to MRP charges based on the estimated useful life of the assets created.

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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. However, in the case of long term receivables arising from loans or other types of capital expenditure made by the Council which will be repaid under separate credit arrangements such as leasing and PFI, there will be no MRP made.

The Council is satisfied that a prudent provision will be achieved after exclusion of capital expenditure.

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. Whatever the type of expenditure, it will be grouped in a manner which reflects the nature of the main component of expenditure, and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

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 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.

Cambridgeshire County Council

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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.

PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively (i.e. in the current and future years affected by the change), and do not create a prior period adjustment.

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

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

ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME

Up until the end of the 2013-14 financial year, the Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised, with the liability subsequently discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price, of the number of allowances required to meet the liability at the reporting date.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

From 2014-15 onwards, the Council no longer meets the electricity usage qualification criteria of consuming in excess of 6,000 megawatt-hours (MWh) through settled half-hourly meters. This is because Phase 2 of the scheme excludes schools and also the passive, unmetered street lighting stock which the Council operates.

EMPLOYEE BENEFITS

Cambridgeshire County Council offers a number of voluntary benefits such as discounted gym membership however; these do not incur a cost to the Council. Benefits that incur a cost to the Council include entry into a government pension scheme, flexible retirement policy, provision of a staff counselling service and a childcare voucher salary sacrifice scheme.

Termination benefits can be broadly classified into two categories: Redundancy Pay and benefits relating to Mutually Agreed Terminations or Compromise Agreements. Redundancy Payments are calculated in accordance with statutory redundancy pay. Mutually Agreed Terminations or Compromise Agreements are for use in exceptional circumstances where there are serious concerns regarding the long-term management or establishment of a team. Any payments must be considered reasonable and are subject to challenge by External Audit.

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

The following are the accounting standards that have been issued but have not yet been adopted by the Council at the balance sheet date. These changes are not considered to have a material impact on the Council:

- **IFRS 10: Consolidated Financial Statements**
- **IFRS 11: Joint Arrangements**
- **IFRS 12: Disclosures of Interests in Other Entities**
- **IAS 27 (revised 2011): Separate Financial Statements**
- **IAS 28 (revised 2011): Investments in Associates and Joint Ventures**
- **Amendment to IAS 32: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities**

IFRS 10 replaces consolidation guidance (from IAS 27 and SIC-12) by introducing a single consolidation model for all entities based on control over the investee. This standard is not currently applicable to the Council as it does not exert control over any other entities, but this will be kept under review in light of the Council's shared service initiative with Northamptonshire and its relationship with associated bodies.

All these revisions are effective for accounting years beginning on or after 1 January 2014.

NOTES TO THE CORE FINANCIAL STATEMENTS

3. 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;
- Property valuations are provided by component on a rolling programme every five years by the Council's internal valuers, with moderation undertaken by independent external 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 respective accounting policy (see note 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 is subject to 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 based on prior years' experience and details of known claims and actions. Appropriate amounts are set aside to cover the assessed likely cost of such matters over the period in which they are likely to be settled and 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;
- All of the Council's lease arrangements have been assessed for whether the risks and rewards of ownership pass to the lessee under those arrangements. Where risks and rewards are transferred, leases have been classified as finance leases;
- The Council currently has 3 PFI contracts with a 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 over the next 4 years, 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.

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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. The subsequent loss that this accounting treatment creates is expensed through the Comprehensive Income and Expenditure Statement and financed as Revenue Expenditure Funded as Capital Under Statute (REFCUS).

4. 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 2014 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. The current economic climate makes it less certain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to 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 £0.9m 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. In 2013-14 the Council's assets were increased by £42m as a result of this exercise, however it was estimated that this adjustment would have been £16m higher, if the indices used had been 1% higher for each year of the 5 year rolling programme.

NOTES TO THE CORE FINANCIAL STATEMENTS

Provisions	The Council has made a provision of £6.3m for the settlement of insurance claims, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 20% in either the total number of claims or the estimated average settlement would each have the effect of adding £1.3m to the provision needed.
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 pensions 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 £35m (3%); • 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £110m (9%); and • 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £78m (7%). However, the various assumptions interact in complex ways. During 2013-14, the Council's actuaries advised that the net pensions liability had decreased by £2.0m, as a result of an increase in asset values of £37.8m, and an offsetting increase in liabilities of £35.8m. This is due to financial assumptions being less favourable at the 31 March 2014 than they were at the 31 March 2013, contrasted by higher actual investment return on funds of 7.2%.
Arrears	At 31 March 2014, the Council has current receivables greater than 6 months old totalling £4.0m. A review of significant balances suggested that an impairment of 75% for debts in the 7-12 month age range and 100% for debts over 12 months, totalling £0.15m was appropriate for non-adult social care services. In addition, adult social care have set-aside a specific provision of £1.25m for their respective doubtful debts to reflect the underlying risk to outstanding debt within the service. This gives a total overall impairment of £1.4m.	If collection rates were to deteriorate, every increase of 10% in the impairment of non-adult social care doubtful debts would require an additional £14k to be set aside as an allowance.

NOTES TO THE CORE FINANCIAL STATEMENTS

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

For the purposes of this note the Council considers material items to be those greater than £20m. Material items of income and expenditure for 2013-14 and 2012-13 are as follows:

2013-14	£000
Income	
Dedicated Schools Grant	-238,943
Public Health Grant	-21,231
Council Tax	-226,856
Non-domestic Rates	-54,759
Actuarial gain on pension fund assets and liabilities	-21,408
Expenditure	
Loss on disposal of non-current assets (primarily a result of schools converting to academy status)	112,514

2012-13	£000
Income	
Dedicated Schools Grant	-249,985
Early Intervention Grant	-21,140
Council Tax	-240,425
Non-domestic Rates	-111,062
Expenditure	
Actuarial loss on pension fund assets and liabilities	46,885
Loss on disposal of non-current assets (primarily a result of schools converting to academy status)	42,850

6. 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.

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.

‘Adjusting’ Events After The Balance Sheet Date

Carbon Reduction Commitment

The 2013-14 financial year is the final year of the first phase of the scheme for which the Council has an obligation to purchase and surrender Carbon Reduction Commitment (CRC)

NOTES TO THE CORE FINANCIAL STATEMENTS

allowances in relation to carbon dioxide emissions. The Council has determined that a provision of £459k is required to cover the liability relating to the retrospective purchase and surrendering of allowances in accordance with the CRC scheme's requirements. The purchase of allowances is scheduled to take place later in the summer and the actual cost of allowances will be known prior to the publication of the final accounts in September.

From 2014-15 onwards, the Council no longer meets the electricity usage qualification criteria of consuming in excess of 6,000 megawatt-hours (MWh) through settled half-hourly meters. Therefore no future provision will need to be made.

'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 9 schools have, or are expected to convert to Academy status before the 31 March 2015, with further conversions expected to take place in future years. It is anticipated that by 30 September 2014, when these accounts will be finalised, community schools with a net book value totalling £9.1m will have converted to Academy status since the Balance Sheet date. As with schools already converted, the assets of these schools will be derecognised from the Council's Balance Sheet in 2014-15.

7. 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.

Movements in balances in 2013-14:

2013-14	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	33,970	-	-	-33,970
Revaluation losses on Property Plant and Equipment	-5,309	-	-	5,309

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NOTES TO THE CORE FINANCIAL STATEMENTS

Revenue expenditure funded from capital under statute	10,713	-	-	-10,713
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	119,998	-	-	-119,998
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-21,292	-	-	-21,292
Adjustments involving the Capital Grants and Contributions Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	10,883	-	-10,883	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-56,423	-	-	56,423
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	-6,085	6,085	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	5	-6,092	-	6,087
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	-62	-	-	62
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 22)	49,165	-	-	-49,165
Employer's pensions contributions and direct payments to pensioners payable in the year	-29,806	-	-	29,806
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	2,402	-	-	-2,402
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	-1,738	-	-	1,738
Total Adjustments	**106,423**	**-7**	**-10,883**	**-95,533**

Movements in balances in 2012-13:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13	Usable Reserves			
	General Fund £000	Capital Receipts Reserve £000	[2]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	57,268	-	-	-57,268
Revaluation losses on Property Plant and Equipment	12,486	-	-	-12,486
Revenue expenditure funded from capital under statute	4,278	-	-	-4,278
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	51,982	-	-	-51,982
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-18,813	-	-	18,813
Adjustments involving the Capital Grants and Contributions Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	233	-	-233	
Application of grants to capital financing transferred to the Capital Adjustment Account	-76,972	-	-	76,972
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	-	-9,130	-	9,130
Use of the Capital Receipts Reserve to finance new capital expenditure	-9,133	9,133	-	-
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	-68	-	-	68
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 22)	38,995	-	-	-38,995
Employer's pensions contributions and direct payments to pensioners payable in the year	-28,718	-	-	28,718
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-1,193	-	-	1,193
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the	-84	-	-	84

NOTES TO THE CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements				
Total Adjustments	**30,261**	**3**	**-233**	**-30,031**

[1]Restated for IAS19 (Revised 2011) adjustments – see note 37.
[2]This also includes Capital Contributions Unapplied

8. 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-12 £000	Transfers Out 2012-13 £000	Transfers In 2012-13 £000	Balance at 31-Mar-13 £000	Transfers Out 2013-14 £000	Transfers In 2013-14 £000	Balance at 31-Mar-14 £000
Carry forward – Schools	**21,715**	-21,722	22,635	**22,628**	-22,629	22,459	**22,458**
Carry forward – Other	**6,077**	-3,760	*6,629	***8,946**	-6,623	9,708	**12,031**
Insurance Reserve	**8,008**	-8,672	5,749	**5,085**	-13,088	12,109	**4,106**
Invest To Transform Reserve	**2,267**	-5,489	4,080	**858**	-858	-	**-**
Developments and Pressures Reserve	**4,852**	-27,765	22,913	**-**	-	-	**-**
Other Earmarked Reserves	**16,752**	-29,989	35,938	**22,701**	-22,260	15,017	**15,458**
Total	**59,671**	**-97,397**	***97,944**	***60,218**	**-65,458**	**59,293**	**54,053**

*Restated to reflect £42k adjustment between Corporate Services carry forward and the General Fund

9. OTHER OPERATING EXPENDITURE

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

2012-13 £000		2013-14 £000
42,850	Losses on the disposal of non-current assets	**113,918**
367	Levies	**373**
43,217	**Total**	**114,291**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

10. 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.

2012-13 £000		2013-14 £000
22,523	Interest payable and similar charges	23,989
18,197	Pensions interest cost and expected return on pensions assets	19,707
-655	Interest receivable and similar income	-641
-242	Trading Accounts	376
39,823	**Total**	**43,431**

11. 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.

2012-13 £000		2013-14 £000
-240,425	Council tax income	-226,856
-111,062	Non-domestic rates	-54,759
-52,060	Non-ringfenced government grants	-138,805
-78,161	Capital grants and contributions	-45,539
-481,708	**Total**	**-465,959**

12. PROPERTY, PLANT AND EQUIPMENT

Movements in Balances

Movements in balances in 2013-14 is as follows:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1-Apr-13	**869,165**	**13,439**	**757,525**	**646**	**8,580**	**251,176**	**1,900,531**	**73,783**
Additions	-	-	51,236	-	-	34,137	**85,373**	12,014
Donations	508	-	-	-	-	-	**508**	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	15,410	-	-	-	-1,400	-	**14,010**	-
Revaluation increases/ decreases (-) recognised in the deficit on the Provision of services	40,878	-	-	-	-10	-	**40,868**	-
Derecognition - Disposals	-115,877	-	-3,019	-	-4,948	-	**-123,844**	-
Assets reclassified to (-)/ from Held for Sale	-1,191	-	-	-	214	-	**-977**	-
Other movements in Cost or Valuation	-21	-	-	-	-	-	**-21**	-
Transfers	66,636	-	-	-	2,351	-68,987	**-**	-
At 31-Mar-14	**875,508**	**13,439**	**805,742**	**646**	**4,787**	**216,326**	**1,916,448**	**85,797**
Accumulated Depreciation and Impairment								
At 1-Apr-13	**-10,345**	**-9,503**	**-122,148**	**-**	**-1,260**	**-**	**-143,256**	**-34,838**
Depreciation charge	-13,161	-2,052	-19,917	-	-59	-	**-35,189**	-2,301
Depreciation written out to the Revaluation Reserve	33,470	-	-	-	214	-	**33,684**	-
Depreciation written out to the deficit on the provision of services	-59,865	-	-	-	-327	-	**-60,192**	-
Impairment losses/ reversals (-) recognised in the Revaluation Reserve	-653	-	-	-	1,201	-	**548**	-
Impairment losses recognised in the deficit on the provision of services	1,389	-	-	-	90	-	**1,479**	-
Derecognition - Disposals	2,188	-	1,752	-	30	-	**3,970**	-
Other movements in Depreciation and Impairment	8	-	-	-	-8	-	**-**	-
At 31-Mar-14	**-46,969**	**-11,555**	**-140,313**	**-**	**-120**	**-**	**-198,956**	**-37,139**
Net Book Value								
At 31-Mar-14	**828,539**	**1,884**	**665,429**	**646**	**4,668**	**216,326**	**1,717,492**	**48,658**
At 31-Mar-13	**858,820**	**3,936**	**635,377**	**646**	**7,320**	**251,176**	**1,757,275**	**38,945**

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Movements in balances 2012-13 is as follows:

	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment (PPE)	PFI Assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1-Apr-12	**905,843**	**17,839**	**693,426**	**-**	**11,432**	**205,273**	**1,833,813**	**62,343**
Additions	-	-	75,744	-	-	57,307	**133,051**	9,964
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	37,900	-	-	646	-1,689	-	**36,857**	1,476
Revaluation decreases (-) recognised in the deficit on the Provision of services	-46,627	-	-	-	-1,060	-	**-47,687**	-
Derecognition - Disposals	-50,460	-	-1,680	-	-	-	**-52,140**	-
Assets reclassified (to)/ from Held for Sale	-1,533	-	-	-	-103	-	**-1,636**	-
Other movements in Cost or Valuation	-481	-	-	-	-	-	**-481**	-
Transfers	24,523	-4,400	-9,965	-	-	-11,404	**-1,246**	-
At 31-Mar-13	**869,165**	**13,439**	**757,525**	**646**	**8,580**	**251,176**	**1,900,531**	**73,783**
Accumulated Depreciation and Impairment								
At 1-Apr-12	-15,914	-7,574	-108,521	-	-2,241	-	**-134,250**	-11,302
Depreciation charge	-14,472	-2,332	-18,266	-	-12	-	**-35,082**	-5,244
Depreciation written out to the Revaluation Reserve	-5,531	-	-	-	-44	-	**-5,575**	6
Depreciation written out to the deficit on the provision of services	24,891	-	-	-	83	-	**24,974**	-
Impairment losses recognised in the Revaluation Reserve	5,573	-	-	-	-	-	**5,573**	-
Impairment losses/ (reversals) recognised in the surplus/ deficit on the provision of services	-4,585	-	2,672	-	951	-	**-962**	-18,298
Derecognition – Disposals	27	-	721	-	-	-	**748**	-
Other movements in Depreciation and Impairment	69	-	-	-	3	-	**72**	-
Transfers	-403	403	1,246	-	-	-	**1,246**	-
At 31-Mar-13	**-10,345**	**-9,503**	**-122,148**	**-**	**-1,260**	**-**	**-143,256**	**-34,838**
Net Book Value								
At 31-Mar-13	**858,820**	**3,936**	**635,377**	**646**	**7,320**	**251,176**	**1,757,275**	**38,945**
At 31-Mar-12	**889,928**	**10,265**	**584,905**	**-**	**9,191**	**205,273**	**1,699,562**	**51,041**

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NOTES TO THE CORE FINANCIAL STATEMENTS

Capital commitments

At 31 March 2014, the Council has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2013-14 and future years, budgeted to cost £130m. Similar commitments at 31 March 2013 were £168m. The major commitments are:

Expenditure approved and contracted	31-Mar-14 £000
Ely Bypass	30,780
Littleport – new secondary school and special school with residential accommodation	30,000
Southern Fringe, Cambridge – new primary school and community facilities	22,296
Thorndown Primary – additional places (replacing former junior school, pre-school and mobiles)	9,955
Fawcett Primary – additional places	5,200
Cottenham primary – additional places plus Early Years	4,560
Brampton Primary – additional places plus Early Years	4,100
Chesterton Primary – new school plus Early Years	3,750
IT Infrastructure Investment	3,300
LA Maintained Early Years Provision	2,900
Community Hubs	2,845
Hemingford Grey Primary – additional places plus Early Years	2,725
Cambridge Cycling Infrastructure	2,460
Wandlebury to Babraham Cycleway	2,375
Better Bus Areas Funding	1,462
Cycle Safety Fund	1,190
Total	**129,898**

Effects of changes in estimates

In 2013-14, the Council made one material change to its accounting estimates for Property, Plant and Equipment. During the revaluation of the Council's Land and Buildings, Community Assets and Surplus Assets, remaining useful lives were reviewed critically for all properties being revalued by the Council as part of the process of componentisation. As a result, the depreciation charge in 2013-14 for the revalued properties (which have not been disposed, subsequently revalued in 2013-14, or have a zero NBV as at 31 March 2014) of £4.1 million was £1.4 million lower than it would have been if the useful lives assessed in 2012-13 had been used for the calculations. The impact of this change will carry forward into 2014-15 and future years and the Council expects there to be a similar effect on depreciation next year (after which, the Council's asset portfolio will be fully componentised with updated useful lives).

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In order to ensure that carrying values are kept in line with fair values in the interim, the Council undertakes a

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

material misstatement analysis annually and adjusts for any material variances if required. The majority of valuations were carried out internally, however 36% of valuations were undertaken by external consultants NPS Property Consultants Limited. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors Valuation. The effective date of revaluation is the 1 April.

The significant assumptions applied in estimating the fair values are:

- Building values based on building indices (Building Cost Information Service (BCIS)); and
- Land values are 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
		2009-10	2010-11	2011-12	2012-13	2013-14	
	£000	£000	£000	£000	£000	£000	£000
Land and Buildings		145,073	135,011	163,558	244,736	187,130	**875,508**
Vehicles, Plant, Furniture and Equipment		-	-	-	13,439	-	**13,439**
Infrastructure Assets	805,742						**805,742**
Community Assets	646						**646**
Surplus Assets		125	45	998	112	3,507	**4,787**
Assets Under Construction	216,326						**216,326**
	1,022,714	**145,198**	**135,056**	**164,556**	**258,287**	**190,638**	**1,916,448**
Assets Held for Sale		-	-	-	-	1,100	**1,100**
Total	**1,022,714**	**145,198**	**135,056**	**164,556**	**258,287**	**191,737**	**1,917,548**

13. 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 2012	20,558	150	20,708
31 March 2013	**20,558**	**150**	**20,708**
1 April 2013	20,558	150	20,708
Additions during 2013-14	7	-	7
31 March 2014	**20,565**	**150**	**20,715**

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation
The Council's collection of archives, art works and other museum pieces are valued in the Balance Sheet at insurance valuation. The most recent valuations of archives and museum pieces was carried out by Bonhams in 2008, these valuations are repeated periodically. The Council has considered the collections during 2013-14 for possible impairments and does not believe it is economic to conduct revaluations on a more frequent basis.

The Council also holds a significant collection of archaeological artefacts and ecofacts. The collection receives the finds from all excavations within the county. This arrangement has existed since 1992, and the Council also holds some materials from before that date.

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection due to the diverse nature of the assets held and lack of comparable market values. The Council does not trade assets on the antiquities market, and holds these assets for their research and outreach values. Consequently, the Council does not recognise these assets on the Balance Sheet.

There are a small number of civic regalia items, principally the chains of office of the Chairman of the Council, his deputy and their consorts. The financial value of these items is considered to be immaterial and prohibitively costly to obtain and as a result, the Council does not recognise these assets on the Balance Sheet.

Reclassification and zero values
As a result of adopting of the new accounting policy, the Council has reviewed its surplus and community assets to ascertain whether any assets require reclassification as heritage assets.

There are some monuments and listed buildings contained within the Council's farms estate, or associated with infrastructure and operational assets. Where assets are in use primarily for any purpose other than the preservation and promotion of knowledge or culture, or cannot be reasonably detached from such assets, the Council deems that the heritage asset designation is not appropriate.

All of these types of assets are longstanding holdings of the Council, which have a historic cost valuation much lower than their estimated market value. In most cases the carrying amount is zero, and depreciation and impairment do not need to be recognised.

Additions of Heritage Assets
The Council has received, either gifted or purchased, 44 items into the Cromwell Museum since the last insurance valuation in 2008, with 11 new additions during 2013-14. The total insurance valuation or cost of the additions since 2008 is £12k (£7k during 2013-14), with the most valuable item being Thomas Cromwell's funeral escutcheon, which is valued at £5,000.

The total storage area of the archives has increased by 7% since 2008. There is likely to have been an increase in the value of the archive collections associated with this, although no accurate estimate of an increase in value can be achieved economically. The only individual acquisition since 2008 which is known to have exceeded a value of £10,000 is:

NOTES TO THE CORE FINANCIAL STATEMENTS

- Sandys' Fen papers 1619-1717, purchased at auction in 2009: £44,000.

In addition, some records acquired since 2008 are of known historical importance and can be presumed to have significant financial value, although the value is currently unknown:

- Bond of Oliver Cromwell 1627, bearing his signature, deposited 2011; and
- Records of the Middle Level Commissioners, 17th-20th centuries, deposited 2010.

The Council has continued to receive the archives resulting from excavations in the county and deposited with the Council. A financial value for these items is not recognised in the accounts.

There have been no disposals of Heritage Assets since 1 April 2010.

14. LONG-TERM RECEIVABLES

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

31-Mar-13 £000		31-Mar-14 £000
3,032	Bodies external to general government (i.e. all other bodies)	2,704
1,044	Central government bodies	835
30	Other local authorities	30
4,106	**Total**	**3,569**

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31-Mar-14 £000	31-Mar-13 £000	31-Mar-14 £000	31-Mar-13 £000
Cash and cash equivalents:				
Cash and cash equivalents	-	-	42,249	19,482
Total cash and cash equivalents	-	-	42,249	19,482
Receivables:				
Receivables (excluding prepayments)	3,569	4,106	63,570	78,192
Total receivables	3,569	4,106	63,570	78,192
Borrowings:				
Financial liabilities at amortised cost	-379,125	-374,022	-3,514	-3,675
Total borrowings	-379,125	-374,022	-3,514	-3,675

NOTES TO THE CORE FINANCIAL STATEMENTS

Other liabilities:				
PFI and finance lease liabilities	**-101,156**	**-91,930**	**-2,646**	**-4,145**
Total other long-term liabilities	**-101,156**	**-91,930**	**-2,646**	**-4,145**
Payables:				
Payables	**-**	**-**	**-119,893**	**-100,388**
Total payables	**-**	**-**	**-119,893**	**-100,388**

Income, Expense, Gains and Losses

	2013-14			2012-13		
	Financial Liabilities at amortised cost £000	**Financial Assets: Loans and Receivables £000**	**Total £000**	**Financial Liabilities at amortised cost £000**	**Financial Assets: Receivables £000**	**Total £000**
Interest expense	23,989	-	**23,989**	22,523	-	**22,523**
Total expense in the Deficit on the Provision of Services	**23,989**	**-**	**23,989**	**22,523**	**-**	**22,523**
Interest income	-	-641	**-641**	-	-655	**-655**
Total income in the Deficit on the Provision of Services	-	**-641**	**-641**	**-**	**-655**	**-655**
Net gain (-) / loss for the year	**23,989**	**-641**	**23,348**	**22,523**	**-655**	**21,868**

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term receivables and payables are carried in the Balance Sheet at amortised cost (i.e. the amount at which the asset or liability is measured at initial recognition, minus any repayments of principal, impairments and the cumulative amortisation of the difference between the initial amount and the maturity amount of the instrument). Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2014 of 0.34% to 3.41% for both loans from the Public Works Loan Board (PWLB), and other loans receivable and payable, based on repayment rates for equivalent loans at that date;
- No early repayment or impairment is recognised where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

	Carrying amount 31-Mar-14 £000	Fair value 31-Mar-14 £000	Carrying amount 31-Mar-13 £000	Fair value 31-Mar-13 £000
Public Works Loan Board	-302,398	-348,908	-297,458	-369,931
Other long-term loans	-80,240	-87,853	-80,239	-94,448
Finance lease liabilities	-103,802	-103,802	-96,075	-96,075
Payables	-117,247	-117,247	-96,243	-96,243
Total financial liabilities	**-603,687**	**-657,810**	**-570,015**	**-656,697**
Cash and cash equivalents	42,249	42,249	19,482	19,482
Receivables (excluding prepayments)	63,570	63,570	78,192	78,192
Long-term receivables	3,569	3,569	4,106	4,106
Total financial assets	**109,388**	**109,388**	**101,780**	**101,780**

16. ASSETS HELD FOR SALE

2012-13 £000		2013-14 £000
159	**Balance outstanding at start of year**	**422**
	Assets newly classified as held for sale:	
1,563	Property, Plant and Equipment	977
-	Revaluation losses	-105
-928	Revaluation gains	-71
145	Impairment losses	-
	Assets declassified as held for sale:	
-590	Assets sold	-123
73	**Other movements**	**-**
422	**Balance outstanding at year-end**	**1,100**

NOTES TO THE CORE FINANCIAL STATEMENTS

17. SHORT TERM RECEIVABLES

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

31-Mar-13 £000		31-Mar-14 £000
4,814	Central government bodies	14,937
1,135	NHS bodies	1,042
113	Public corporations and trading funds	1,207
80,840	Other local authorities, entities and individuals	52,969
86,902	**Total Short Term Receivables**	**70,154**

18. 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-13 £000		31-Mar-14 £000
-145	Cash held by the Council	29,894
21,841	Cash equivalents	13,556
847	School bank accounts	480
-3,061	Overdraft	-1,681
19,482	**Total Cash and Cash Equivalents**	**42,249**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

19. SHORT TERM PAYABLES

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

31-Mar-13 £000		31-Mar-13 £000
-2,950	Central government bodies	**-7,410**
-9,890	NHS bodies	**-2,392**
-	Public corporations and trading funds	**-45**
-87,548	Other local authorities, entities and individuals	**-110,046**
-100,388	**Total Short Term Payables**	**-119,893**

20. 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:

	Balance at 1-Apr-13 £000	Provisions arising or adjusted £000	Provisions utilised £000	Provisions reversed £000	Balance at 31-Mar-14 £000
Current:					
Insurance	**3,180**	524	-2,068	-56	**1,580**
Redundancy	**2,045**	826	-2,044	-	**827**
Transforming Cambridgeshire	**-**	1,000	-	-	**1,000**
Carbon Reduction Commitment	**422**	459	-422	-	**459**
Mobilising Local Energy Investment	**-**	669	-	-	**669**
Long-term:					
Insurance	**4,721**	2,094	-1,872	-225	**4,718**
Total	**10,368**	**5,572**	**-6,406**	**-281**	**9,253**

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 to the Council plus the amount outstanding under this arrangement is £12.8m, and under the Scheme or Arrangement a levy is chargeable on this amount. After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The initial levy requested by the scheme administrator from the Council is a percentage of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. As a result and following assessment by a scheme actuary, a levy rate of 15% is being applied creating a liability to the Council of approximately £1.98m. The Council has made a specific provision of £2 million in the accounts to cover this liability, of which £1.6m was paid in 2013-14. There is a possibility that the ultimate levy rate could eventually be higher than this and as such a contingent liability has also disclosed (see note 38)

Redundancy

The Council issued a Section 188 notice in November 2013 to start formal consultation proceedings on the proposal to make staff redundancies. These measures continue to be in response to the reduced finance settlements received by the Council following the Comprehensive Spending Review in October 2010. As a result, the Council has set aside an amount of £0.8m to cover any redundancy payments that will be incurred during 2014-15.

Carbon Reduction Commitment

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme commenced in April 2010, and 2013-14 is the final year of Phase 1 for which there is an obligation to purchase and surrender Carbon Reduction Allowances in relation to carbon dioxide emissions. The Council has submitted an annual report on its emissions for the 2013-14 financial year and has determined that a provision of £459k is required to cover the liability relating to the retrospective purchase and surrendering of allowances in accordance with the CRC scheme's requirements. This provision is based on a best estimate of the expenditure required to settle the present obligation at the reporting date.

From 2014-15 onwards, the Council no longer meets the electricity usage qualification criteria of consuming in excess of 6,000 megawatt-hours (MWh) through settled half-hourly meters. This is because Phase 2 of the scheme excludes schools and also the passive, unmetered street lighting stock which the Council operates. Therefore no further provision will need to be made in future years.

Transforming Cambridgeshire

Cambridgeshire Public Services Board has commissioned a cross sector review of how public services can work more effectively across the whole public sector landscape within Cambridgeshire. This transformation programme will enable all public sector bodies to address the financial challenges of the on-going austerity measures more effectively, by delivering significant efficiencies and improving end-to-end support and joint working. The programme will require some up-front funding, and although the exact nature and timing of this funding is not yet known, it is considered appropriate to make a provision for this at this point.

Mobilising Local Energy Investment

The Mobilising Local Energy Investment (MLEI) project commenced in April 2013 with the aim of attracting more energy investment and infrastructure delivery into Cambridgeshire and Peterborough. The focus is on low carbon energy generation and energy efficiency infrastructure, initially from the public sector and community projects, while remaining open to commercial projects. The Council has determined that a provision of £669k is sufficient to cover its potential liability in relation to the repayment of grant funding to the EU, should it be unable to secure £15m of additional funding towards energy schemes.

21. 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. 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. Further analysis of earmarked reserves is shown within note 8 (page 55);

- **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 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 the Capital Grants and Contributions Unapplied 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 26).

NOTES TO THE CORE FINANCIAL STATEMENTS

22. UNUSABLE RESERVES

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

31-Mar-13 £000		31-Mar-14 £000
367,983	Revaluation Reserve	360,742
821,517	Capital Adjustment Account	776,879
-1,449	Financial Instruments Adjustment Account	-1,387
-439,835	Pensions Reserve	-437,786
176	Collection Fund Adjustment Account	-2,226
-10,179	Accumulated Absences Account	-8,441
738,213	**Total Unusable Reserves**	**687,781**

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.

2012-13 £000		2013-14 £000
345,841	**Balance at 1st April**	**367,983**
50,290	Upward revaluation of assets	31,985
-3,148	Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	-8,293
392,983	**Surplus or deficit on revaluation of long-term assets not posted to the Deficit on the Provision of Services**	**391,675**
-5,581	Difference between fair value depreciation and historical cost depreciation	-2,133
-19,419	Accumulated gains on assets sold or scrapped	-28,800
-25,000	**Amount written off to the Capital Adjustment Account**	**-30,933**
367,983	**Balance at 31st March**	**360,742**

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Account 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012-13 £000		2013-14 £000
817,617	**Balance at 1st April**	**821,517**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-57,268	Charges for depreciation and impairment of long-term assets	**-33,970**
-12,486	Revaluation losses on Property, Plant and Equipment	**5,309**
-4,278	Revenue expenditure funded from capital under statute	**-10,713**
-51,983	Amounts of long-term assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	**-119,998**
691,602		**662,145**
25,000	Adjusting amounts written out of the Revaluation Reserve	**30,933**
716,602	**Net written out amount of the cost of non current assets consumed in the year**	**693,078**
	Capital financing applied in the year:	
9,130	Use of the Capital Receipts Reserve to finance new capital expenditure	**6,087**
76,972	Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account	**56,422**
18,813	Statutory provision for the financing of capital investment charged against the General Fund	**21,292**
821,517	**Balance at 31st March**	**776,879**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000		2013-14 £000
-1,517	**Balance at 1st April**	**-1,449**
68	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	62
68	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	62
-1,449	**Balance at 31st March**	**-1,387**

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.

2012-13 £000		2013-14 £000
-387,385	**Balance at 1st April**	**-439,835**
[1]-42,173	Remeasurement of net defined liability	21,408
[1]-38,995	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	-49,165
28,718	Employer's pensions contributions and direct payments to pensioners payable in the year	29,806
-439,835	**Balance at 31st March**	**-437,786**

[1]Restated for IAS19 (Revised 2011) adjustments

Collection Fund Adjustment Account

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

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NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000		2013-14 £000
-1,017	**Balance at 1st April**	176
1,193	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	-2,403
176	**Balance at 31st March**	-2,226

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.

2012-13 £000		2013-14 £000
-10,263	**Balance at 1st April**	-10,179
10,263	Settlement/cancellation of accrual made at the end of the preceding year	10,179
-10,179	Amounts accrued at the end of the current year	-8,441
84	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	1,738
-10,179	**Balance at 31st March**	-8,441

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the ‘*SeRCOP*’. However, decisions about resource allocation were taken by the Council’s Cabinet on the basis of budget reports analysed across Services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer’s pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to Services.

On the 1 April 2013, the Council conducted an internal restructure to consolidate its Children and Young Peoples Service and its Community and Adults Services into a single Children,

NOTES TO THE CORE FINANCIAL STATEMENTS

Families and Adults Service. In addition, on 1 April 2013, Public Health staff and services were transferred from Primary Care Trusts (PCTs) to local authorities. To discharge their new Public Health responsibilities, local authorities were provided with a ring-fenced Public Health grant as part of the statutory transfer.

These structural changes have been reflected in the table below, both for the current year and through a restatement of 2012-13 figures. Therefore, the income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

2013-14	Children, Families and Adults £000	Economy, Transport and Environment £000	Corporate Directorates and LGSS £000	Public Health £000	Total £000
Fees, charges and other service income	-314,911	-16,368	-18,738	-140	**-350,157**
Government grants	-26,875	-3,610	-	-	**-30,485**
Total Income	**-341,786**	**-19,978**	**-18,738**	**-140**	**-380,642**
Employee expenses	250,418	20,296	24,334	1,944	**296,992**
Other service expenses	383,951	75,719	32,045	11,600	**503,315**
Total Expenditure	**634,369**	**96,015**	**56,379**	**13,544**	**800,307**
Net Expenditure	**292,583**	**76,037**	**37,641**	**13,404**	**419,665**

2012-13 (Restated)[1]	Children, Families and Adults £000	Economy, Transport and Environment £000	Corporate Directorates and LGSS £000	Public Health £000	Total £000
Fees, charges and other service income	-313,237	-20,099	-21,993	-	**-355,329**
Government grants	-32,685	-2,169	0	-	**-34,854**
Total Income	**-345,922**	**-22,268**	**-21,993**		**-390,183**
Employee expenses	257,310	16,046	31,644	-	**305,000**
Other service expenses	377,747	83,388	29,051	-	**490,186**
Total Expenditure	**635,057**	**99,434**	**60,695**	**-**	**795,186**
Net Expenditure	**289,135**	**77,166**	**38,702**	**-**	**405,003**

[1] Restated as a result structural changes highlighted above.

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NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of service income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2012-13 £000		2013-14 £000
405,003	Net expenditure in the Service Analysis	**419,665**
21,466	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**-5,812**
426,469	**Cost of services in the Comprehensive Income and Expenditure Statement**	**413,853**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2013-14	Service Analysis £000	Amounts not reported to management for decision making £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	-350,157	-	**-350,157**	-	**-350,157**
Interest and investment income	-	-	**-**	-641	**-641**
Income from council tax	-	-	**-**	-226,856	**-226,856**
Government grants and contributions	-30,485	-	**-30,485**	-239,103	**-269,588**
Total Income	**-380,642**		**-380,642**	**-466,600**	**-847,242**
Employee expenses	296,992	-1,738	**295,254**	-	**295,254**
Other service expenses	503,315	-38,044	**465,271**	20,083	**485,354**
Depreciation, amortisation and impairment	-	33,970	**33,970**	-	**33,970**
Interest payments	-	-	**-**	23,989	**23,989**
Precepts and levies	-	-	**-**	373	**373**
Gain or loss on disposal of long-term assets	-	-	**-**	113,918	**113,918**
Total Expenditure	**800,307**	**-5,812**	**794,495**	**158,363**	**952,858**
Surplus(-)/ deficit on the provision of services	**419,665**	**-5,812**	**413,853**	**-308,237**	**105,616**

Cambridgeshire County Council

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2012-13	Service Analysis £000	Amounts not reported to management for decision making £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	-355,329	-	**-355,329**	-	**-355,329**
Interest and investment income	-	-	**-**	-655	**-655**
Income from council tax	-	-	**-**	-240,425	**-240,425**
Government grants and contributions	-34,854	-	**-34,854**	-241,283	**-276,137**
Total Income	**-390,183**	**-**	**-390,183**	**-482,363**	**-872,546**
Employee expenses	305,000	-84	**304,916**	-	**304,916**
Other service expenses	490,186	-38,391	**451,795**	13,243	**465,038**
Depreciation, amortisation and impairment	-	59,941	**59,941**	-	**59,941**
Interest payments	-	-	**-**	22,523	**22,523**
Precepts and levies	-	-	**-**	367	**367**
Gain or loss on disposal of long-term assets	-	-	**-**	42,850	**42,850**
Total Expenditure	**795,186**	**21,466**	**816,652**	**78,983**	**895,635**
Surplus (-)/ deficit on the provision of services	**405,003**	**21,466**	**426,469**	**-403,380**	**23,089**

24. 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 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 SeRCOP line to which they relate. Details of those units with turnover greater than £1m or a deficit greater than £100,000 in 2013-14 are as follows:

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NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000		2013-14 £000
	Catering, Cleaning, Groomfields & Grounds Management	
-16,090	Turnover	-15,926
16,110	Expenditure	16,267
-20	**Surplus (-)/ Deficit**	**341**
	Education Information and Communication Technology (ICT)	
-4,463	Turnover	-5,017
4,468	Expenditure	5,013
5	**Surplus (-)/ Deficit**	**-4**
	Cambridgeshire Music	
-1,200	Turnover	-1,370
836	Expenditure	1,523
-364	**Surplus (-)/ Deficit**	**153**
	Grafham Water Centre	
-1,323	Turnover	-1,429
1,266	Expenditure	1,446
-57	**Surplus (-)/ Deficit**	**17**
-436	**Total Surplus (-)/ Deficit**	**507**
-255	**Adjustment of Surplus (-)/ Deficit for other non-material external trading**	**74**
449	**Adjustment to exclude Surplus (-)/ Deficit on internal trading**	**-205**
-242	**Net Surplus (-)/ Deficit on trading operations**	**376**

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 develop 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.

Cambridgeshire Music

Cambridgeshire Music provides music services and tuition internally to schools, and externally parents, ensembles and the wider community.

NOTES TO THE CORE FINANCIAL STATEMENTS

Grafham Water Centre
Grafham Water Centre offers young people activities of adventurous and environmental nature during which there is significant learning to complement programmes delivered in schools. The facility supports the learning outside the classroom agenda as developed by the DfE and recognised by OFSTED as valuable to promote the learning of young people.

25. POOLED BUDGETS

The Council has entered into pooled budget agreements with the following bodies:

- NHS Cambridgeshire, for the provision of Integrated Community Equipment Service (ICES) in Cambridgeshire, with the partner organisation contributing 48% of the budget;
- NHS Cambridgeshire, for the provision of integrated health and social services for Learning Disability Partnership (LDP) clients in Cambridgeshire, with the partner organisation contributing 20% of the budget.

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.

2013-14	Pooled Budget	
	Integrated Community Equipment Service £000	Learning Disability Partnership £000
Funding provided to the pooled budget:		
- the Council	2,290	58,797
- NHS Cambridgeshire	2,147	14,379
Expenditure met from the pooled budget:		
- the Council	2,247	57,305
- NHS Cambridgeshire	2,107	14,014
Net surplus (-) on the pooled budget during the year	**-83**	**-1,857**
Council share of the net surplus (-) on the pooled budget	**-43**	**-1,492**

2012-13	Pooled Budget	
	Integrated Community Equipment Service £000	Learning Disability Partnership £000
Funding provided to the pooled budget:		
- the Council	2,105	55,612
- NHS Cambridgeshire	1,973	14,379
Expenditure met from the pooled budget:		
- the Council	2,074	56,169
- NHS Cambridgeshire	1,944	14,554
Net deficit/ surplus (-) on the pooled budget during the year	**-60**	**732**
Council share of the net deficit/ surplus (-) on the pooled budget	**-31**	**557**

NOTES TO THE CORE FINANCIAL STATEMENTS

26. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2013-14 were £761,944 (£758,883 in 2012-13) and expenses totalled £54,791 (£57,489 in 2012-13). Further details are provided on page 153.

27. 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 2013-14 (and 2012-13) is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

		Salary, Fees and Allowances £	Employer Pension Contribution £	Total Remuneration Including Employer Pension Contributions £
Chief Executive (Mark Lloyd)	**2013-14**	188,029	35,549	**223,578**
	2012-13	186,168	35,372	**221,540**
Executive Director: Children, Families and Adults	**2013-14**	129,661	24,508	**154,169**
	2012-13	131,907	25,062	**156,969**
Executive Director: Economy, Transport and Environment Services[1]	**2013-14**	86,205	16,375	**102,580**
	2012-13	124,615	23,677	**148,292**
Executive Director: Economy, Transport and Environment Services[2]	**2013-14**	39,955	8,097	**48,052**
	2012-13	-	-	**-**
Corporate Director: Customer Service and Transformation	**2013-14**	107,711	20,370	**128,081**
	2012-13	106,370	20,210	**126,580**
LGSS Director of IT Services[3]	**2013-14**	90,739	16,888	**107,627**
	2012-13	-	-	**-**
LGSS Director of Law and Governance	**2013-14**	100,206	18,390	**118,596**
	2012-13	84,175	15,993	**100,168**
LGSS Chief Finance Officer (Section 151 Officer for Cambridgeshire County Council)[4]	**2013-14**	93,663	17,642	**111,305**
	2012-13	18,130	3,445	**21,575**
Director of Public Health[5]	**2013-14**	105,148	13,457	**118,605**
	2012-13	-	-	**-**

LGSS Senior Employees on Northamptonshire County Council's payroll:

LGSS Managing Director[6,7]	**2013-14**	132,816	16,451	**149,266**
	2012-13	31,470	4,028	**35,498**
LGSS Director of People, Transformation and Transactions[7]	**2013-14**	128,726	16,234	**144,960**
	2012-13	119,800	15,334	**135,134**
LGSS Director Finance (Section 151 Officer for Northamptonshire County Council)[7]	**2013-14**	114,047	14,415	**128,462**
	2012-13	120,443	15,417	**135,860**
LGSS Director of Operations[8]	**2013-14**	-	-	**-**
	2012-13	60,378	7,728	**68,106**

[1] The Executive Director Economy, Transport and Environment Services left the organisation in December 2013
[2] The Executive Director Economy, Transport and Environment Services began in post in January 2014
[3] The LGSS Director of IT Services joined the organisation on the 10 June 2013
[4] The LGSS Chief Finance Officer (Section 151 Officer for Cambridgeshire County Council) joined LGSS on 21 January 2013
[5] The Director of Public Health Chief Finance Officer joined Cambridgeshire County Council on 1 April 2013
[6] The LGSS Managing Director joined LGSS on 2 January 2013

NOTES TO THE CORE FINANCIAL STATEMENTS

[7] The LGSS Directors work across Cambridgeshire and Northamptonshire County Councils and with other LGSS customers as required. The LGSS Directors are members of the Council's SMT, although only the Director of Law and Governance is on Cambridgeshire County Council's payroll.
[8] The LGSS Director of Operations left LGSS on 17 October 2012.

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:

2012-13	Remuneration Banding	2013-14
87	£50,000 - £54,999	**93**
66	£55,000 - £59,999	**57**
48	£60,000 - £64,999	**53**
23	£65,000 - £69,999	**19**
6	£70,000 - £74,999	**8**
2	£75,000 - £79,999	**4**
5	£80,000 - £84,999	**5**
2	£85,000 - £89,999	**3**
2	£90,000 - £94,999	**4**
2	£95,000 - £99,999	**2**
1	£110,000 - £114,999	**-**
244	**Total**	**248**

Approximately two-thirds of the employees referred to in the above table are employed in Cambridgeshire schools. To ensure the figures are comparable, the 2012-13 figure has been restated to exclude those employed in schools which had converted to academy or foundation status as at 31 March 2014.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are 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	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
£0 - £20,000	100	115	65	89	165	204	818	593
£20,001 - £40,000	15	8	6	-	21	8	519	225
£40,001 - £60,000	-	2	-	-	-	2	-	86
£60,001 - £80,000	-	5	2	-	2	5	125	334
£80,001 - £100,000	-	2	-	-	-	2	-	178
£100,001 - £150,000	-	2	-	-	-	2	-	240
Total	**115**	**134**	**73**	**89**	**188**	**223**	**1,462**	**1,656**

NOTES TO THE CORE FINANCIAL STATEMENTS

28. EXTERNAL AUDIT COSTS

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

2012-13 £000		2013-14 £000
149	Fees payable with regard to external audit services carried out by the appointed auditor	125
5	Fees payable to appointed auditor for certification of grant claims and returns	-
8	Fees payable in respect of other services provided by the appointed auditor	10
162	**Total**	**135**

29. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013-14 are as follows:

	Central expenditure £000	Individual schools budget £000	Total £000
Final DSG for 2013-14 before Academy recoupment			379,549
Academy figure recouped for 2013-14			140,439
Total DSG after Academy recoupment for 2013-14			239,110
Brought forward from 2012-13			2,370
Final budget distribution for 2013-14	49,329	192,151	241,480
Less: Actual central expenditure	44,970		44,970
Less: Actual ISB deployed to schools		192,151	192,151
Carryforward to 2014-15	4,359	-	4,359

NOTES TO THE CORE FINANCIAL STATEMENTS

30. GRANT INCOME

Material items of grant income supplied without restrictions

The following is a list of all unrestricted revenue grants received during 2013-14 (and 2012-13) that are in excess of £1 million:

2012-13 £000		2013-14 £000
105,283	Redistributed Business Rates[1]	**58,323**
2,153	Revenue Support Grant[1]	**85,869**
6,038	NHS Funding	**8,318**
-	Education Services Grant[2]	**6,670**
3,944	Street Lighting PFI Grant	**3,944**
4,853	Building Schools for the Future PFI Grant	**3,640**
1,637	New Homes Bonus	**2,887**
2,691	Waste PFI Grant	**2,691**
-	Adoption Reform Grant[2]	**1,151**
-	Social Fund[2]	**1,043**
-	Primary Schools Sports Funding[2]	**1,028**
1,160	Local Services Support Grant	**997**
21,140	Early Intervention Grant[3]	**-**
10,224	Learning Disability and Health Reform Grant[3]	**-**
5,779	Council Tax Freeze Grant[4]	**-**
4,234	Drug Treatment Funding[5]	**-**
169,136	**Total**	**176,561**

[1] New balances reflect the changes to the allocation of Business Rates funding
[2] New grant received in 13-14
[3] Included within Redistributed Business Rates
[4] No grant received due to a Council Tax increase in 13-14
[5] Included within the Public Health Grant

Grant income supplied with mandated requirements

The following is a list of all conditional revenue grants received in excess of £1 million during 2013-14:

2012-13 £000		2013-14 £000
249,985	Dedicated Schools Grant	**238,943**
-	Public Health Grant[1]	**21,231**
4,472	School Sixth Forms Funding	**2,678**
5,694	Pupil Premiums	**7,678**
260,151	**Total**	**270,530**

[1] New grant received in 13-14.

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-13 £000		31-Mar-14 £000
	Current:	
	Grants	
5,513	Building Schools for the Future project	427
2,338	Standards Fund capital grants	2,268
610	Other grants	610
	Contributions	
12,930	Section 106 contributions	12,467
2,740	Other contributions	1,633
	Long Term:	
	Contributions	
12,968	Section 106 contributions	16,635
37,099	**Total**	**34,040**

31. 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 23 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in note 30.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2 pooled budget arrangements with NHS Cambridgeshire for the provision of services for people with learning disabilities and an integrated community equipment service. Details for each of these pooled budgets can be found in note 25.

On 1 April 2013 public health staff and services were transferred from primary care trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant as part of the statutory transfer.

Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2014:

	LGSS with Northamptonshire County 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		50%		50%
		£000		**£000**
	2012-13	**CCC share**	**2013-14**	**CCC share**
Net expenditure*	24,769	10,701	24,060	10,716
Surplus*	-2,404	-1,554	-2,009	-1,005

*This is the total position for LGSS (excluding budgets managed on behalf of CCC and NCC)

LGSS was established in October 2010 and is delivered through a joint committee with its own management team. LGSS provides complete back office services and corporate support functions to Cambridgeshire and Northamptonshire County Councils, as well as specific support functions to Norwich City Council and Huntingdonshire District Council.

On the 1 June 2013, a new partnership was created between LGSS and Northampton Borough Council (NBC). The partnership involves LGSS providing NBC with a range of services including HR, Organisational Development, Programme Management (including Payroll and Health and Safety), ICT, Finance (including Treasury Management, Senior Financial Advice and Section 151 Officer), Legal Services, Revenues and Benefits, Procurement, Insurance and Service Assurance (including Executive Leadership Support, Helpdesks and Performance Reporting) for the next 5 years. In addition, as part of the agreement, approximately 200 members of staff have transferred from NBC to LGSS.

2013-14 is the first year in which LGSS has prepared independent accounts which are being audited by the appointed auditor (KPMG).

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions
The Pension Fund had an average cash balance of £5.2m (2012-13 £25.2m) invested with the Council on which £52k interest was paid (2012-13 £244k). Administrative and other recharges made by the Council to the Pension Fund totalled £2.652m (2012-13 £2.620m).

Cambridge and Counties Bank
Cambridge and Counties Bank provides SME's with loans secured against commercial property as well as a highly competitive deposit account. In addition to this, it offers secured pension scheme lending, and has plans to launch financing deals for professional firms, as well as other competitive savings accounts into both the retail and non-retail sectors.

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), and assets from a former bank have been bought for the new venture. The current market value of the Pension Fund's investment at 31 March 2014 is £14.5m.

32. 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 2014 was £602m (£589m at 31 March 2013).

2012-13 £000		2013-14 £000
	Expenditure funded from capital:	
132,570	Property, Plant and Equipment	**85,860**
4,278	Revenue Expenditure Funded from Capital under Statute	**10,713**
	Sources of finance:	
-9,130	Capital receipts	**-6,087**
-76,972	Government grants and other contributions	**-56,422**
	Sum set aside from revenue:	
-18,813	MRP/ loans fund principal	**-21,292**
	Explanation of movements in year:	
-41,897	Increase in underlying need to borrowing (unsupported by government financial assistance)	**-24,786**
9,964	Assets acquired under PFI contracts	**12,014**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

33. 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 34)):

31-Mar-13 £000		31-Mar-14 £000
17,418	Other Land and Buildings	20,126

*Restated due to the reclassification of one lease

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-13 £000	FLL* 31-Mar-13 £000		MLP 31-Mar-14 £000	FLL 31-Mar-14 £000
6	6	Not later than 1 year	11	6
22	23	Later than 1 year and not later than 5 years	42	23
457	96	Later than 5 years	466	90
485	125	Total	519	119

*Restated due to the reclassification of one lease

(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:

NOTES TO THE CORE FINANCIAL STATEMENTS

31-Mar-13 £000		31-Mar-14 £000
1,045	Not later than 1 year	1,061
3,044	Later than 1 year and not later than 5 years	3,057
7,149	Later than 5 years	7,070
11,238	Total	11,188

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

31-Mar-13 £000		31-Mar-14 £000
960	Minimum lease payments	1,045
186*	Contingent rents	-
1,146	Total	1,045

*Restated due to the reclassification of one lease

Council as Lessor:

(i) Finance Leases

The Council has leased out playing fields, a landfill site and all Academy land and buildings 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-13 £000	GI 31-Mar-13 £000		MLP 31-Mar-14 £000	GI 31-Mar-14 £000
60	40	Not later than 1 year	61	39
242	147	Later than 1 year and not later than 5 years	244	142
4,407	857	Later than 5 years	4,464	823
4,709	1,044	Total	4,769	1,003

NOTES TO THE CORE FINANCIAL STATEMENTS

(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-13* £000		31-Mar-14 £000
2,399	Not later than 1 year	3,882
8,562	Later than 1 year and not later than 5 years	8,215
15,501	Later than 5 years	16,942
26,462	Total	29,039

*Restated due to a variation in the terms of one lease.

34. 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 2013-14, the following figures have been recognised in the Council's financial statements:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000	Comprehensive Income and Expenditure Statement	2013-14 £000	
10,668	Fair Value of Services Provided	**10,935**	
5,351	Interest payable on the finance lease liability	**5,248**	
990	Repayment of Capital	**1,459**	
1,375	Contingent Rents	**1,595**	
18,298	Impairment recognised in the surplus/ deficit on the provision of services	**-**	
-1,476	Revaluation increase recognised in the Revaluation Reserve	**-**	
3,281	Depreciation	**2,951**	
-2,691	PFI Credits	**-2,691**	
31-Mar-13 £000	**Balance Sheet**	**31-Mar-14 £000**	**Movement £000**
	Assets		
20,665*	Land and buildings	**19,767**	**-898**
3,935	Plant and equipment	**1,882**	**-2,053**
	Liabilities		
-1,459	Short term finance lease liability	**-208**	**1,251**
-48,991	Long term finance lease liability	**-48,782**	**209**
-1,591	Overdraft	**-2,294**	**-703**
	Reserves		
-1,591	Carryforward Reserves	**-2,294**	**-703**
1,482	Revaluation Reserve	**1,482**	**-**
-27,332*	Capital Adjustment Account (Depreciation and Debt Provision)	**-28,823**	**-1,491**

*Restated to reflect asset reclassification.

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	11,208	2,107	208	6,916	**20,439**
Within 2 to 5 years	47,705	7,476	2,085	29,729	**86,995**
Within 6 to 10 years	66,654	10,447	3,855	40,595	**121,551**
Within 11 to 15 years	75,413	7,512	12,097	42,502	**137,524**
Within 16 to 20 years	85,323	5,911	18,222	46,139	**155,595**
Within 21 to 24 years	37,190	297	12,524	17,810	**67,821**
Total	**323,493**	**33,750**	**48,991**	**183,691**	**589,925**

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000		2013-14 £000
51,440	**Balance outstanding at start of year**	**50,450**
-990	Payments during the year	**-1,460**
50,450	**Balance outstanding at end of year**	**48,990**

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 is to replace all of the existing lighting equipment, which is beyond its design life, over the next 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 cost of the maintenance 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 2013-14, the following figures have been recognised in the Council’s financial statements:

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NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000	Comprehensive Income and Expenditure Statement	2013-14 £000	
2,158	Fair Value of Services Provided	**2,390**	
492	Interest payable on the finance lease liability	**1,150**	
2,478	Repayment of Capital	**2,223**	
462	Depreciation	**902**	
-3,944	PFI Credits	**-3,944**	
31-Mar-13 £000	**Balance Sheet**	**31-Mar-14 £000**	**Movement £000**
	Assets		
15,895	Infrastructure	**27,007**	**11,112**
	Liabilities		
-2,229	Short term finance lease liability	**-1,932**	**297**
-10,842	Long term finance lease liability	**-20,924**	**-10,082**
	Reserves		
2,824	Capital Adjustment Account (Depreciation and Debt Provision)	**4,151**	**1,327**

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	2,505	-	1,932	2,016	**6,453**
Within 2 to 5 years	9,917	-	5,410	15,117	**30,444**
Within 6 to 10 years	13,081	1,719	7,603	18,124	**40,527**
Within 11 to 15 years	14,672	3,474	10,052	14,684	**42,882**
Within 16 to 20 years	16,870	3,990	15,003	9,685	**45,548**
Within 21 to 23 years	7,789	212	10,435	3,021	**21,457**
Total	**64,834**	**9,395**	**50,435**	**62,647**	**187,311**

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

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NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000		2013-14 £000
5,589	**Balance outstanding at start of year**	13,071
-2,482	Payments during the year	-2,229
9,964	Capital expenditure incurred in the year	12,014
13,071	**Balance outstanding at end of year**	22,856

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. The subsequent loss that this accounting treatment creates is expensed through the Comprehensive Income and Expenditure Statement and financed as Revenue Expenditure Funded as Capital Under Statute (REFCUS).

For 2013-14, the following figures have been recognised in the Council's financial statements:

NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000	Comprehensive Income and Expenditure Statement	2013-14 £000	
2,548	REFCUS	-	
-619	Repayment of Capital	-457	
31-Mar-13 £000	**Balance Sheet**	**31-Mar-14 £000**	**Movement £000**
	Liabilities		
-457	Short term finance lease liability	-506	-49
-31,966	Long term finance lease liability	-31,460	506
	Reserves		
-32,423	Capital Adjustment Account	-31,966	457

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	763	93	506	3,767	**5,129**
Within 2 to 5 years	3,248	374	2,619	14,845	**21,086**
Within 6 to 10 years	4,538	1,496	3,912	17,804	**27,750**
Within 11 to 15 years	5,134	1,296	6,739	16,319	**29,488**
Within 16 to 20 years	5,809	2,014	10,316	13,318	**31,457**
Within 21 to 23 years	3,846	1,372	7,875	5,226	**18,319**
Total	**23,338**	**6,645**	**31,967**	**71,279**	**133,229**

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

2012-13 £000		2013-14 £000
30,494	**Balance outstanding at start of year**	**32,423**
-619	Payments during the year	**-457**
2,548	Capital expenditure incurred in the year	**-**
32,423	**Balance outstanding at end of year**	**31,966**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

35. IMPAIRMENT LOSSES

During 2013-14, the Council did not recognise any material impairments.

36. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2013-14, incurring costs of £1.7m (£1.5m in 2012-13). See note 27 for the number of exit packages and total cost per band.

37. 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 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Defined benefits costs are now required to be split between service costs, net interest, and remeasurements. This is a presentational change in the IAS19 (Revised 2011) disclosures, and the amendment to the accounting policy reflects this change in terminology. In addition a restatement of both the (a) prior year net interest expense and (b) other post-employment benefits charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement, has resulted

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

We 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. 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:

2012-13 £000	LGPS	2013-14 £000
	Comprehensive Income and Expenditure Statement:	
	Cost of Services	
	Service cost comprising:	
26,461	- current service cost	**31,984**
1,126	- past service costs	**675**
-6,789	- (gain)/ loss from settlements	**-3,201**
	Financing and Investment Income and Expenditure:	
18,197	Net interest expense	**19,707**
38,995	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**49,165**
	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:	
-61,171	- Return on plan assets (excluding the amount included in the net interest expense)	**-7,712**
-	- Actuarial gains and losses arising on changes in demographic assumptions	**-21,644**
103,944	- Actuarial gains and losses arising on changes in financial assumptions	**47,554**
-600	- Other	**-39,606**
81,168	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**27,757**

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NOTES TO THE CORE FINANCIAL STATEMENTS

	Movement in Reserves Statement:	
-5,565	- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**-19,359**
	Actual amount charged against the General Fund Balance for pensions in the year:	
-25,457	**Employers' contributions payable to scheme**	**-26,474**
33,680	**Retirement benefits payable to pensioners**	**36,930**

Figures for 2012-13 have been restated to reflect changes to IAS19 (Revised 2011). The Comprehensive Income and Expenditure Statement and Movement in Reserves Statement have been impacted as follows:

2012-13 £000	**Comprehensive Income and Expenditure Statement**	**2012-13 (Restated) £000**	**Movement £000**
35,111	Financing and Investment Expenditure	39,823	**4,712**
46,886	Actuarial Losses on Pension Liabilities	42,174	**-4,712**
31-Mar-13 £000	**Movement in Reserves Statement**	**31-Mar-13 (Restated) £000**	
-23,089	Deficit on provision of services	**-27,801**	**-4,712**
25,549	Adjustments between accounting basis and funding basis under regulations	**30,261**	**4,712**

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:

2012-13 £000		**2013-14 £000**
-1,132,897	Present value of the defined benefit obligation	-1,168,688
693,062	Fair value of plan assets	730,902
-439,835	Net liability arising from defined benefit obligation	**-437,786**

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NOTES TO THE CORE FINANCIAL STATEMENTS

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

2012-13 £000		2013-14 £000
601,800	**Opening fair value of scheme assets**	**693,062**
28,968	Interest income	**31,094**
	Remeasurement gain/ (loss):	
61,171	- Return on plan assets (excluding the amount included in the net interest expense)	**7,712**
-2,320	- Effect on settlements	**-2,372**
28,718	Contributions from employer	**29,806**
8,405	Contributions from employees into the scheme	**8,530**
-33,680	Benefits paid	-36,930
693,062	**Closing fair value of scheme assets**	**730,902**

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

2012-13 £000		2013-14 £000
989,185	**Opening balance at 1 April**	**1,132,897**
26,461	Current service cost	**31,984**
47,165	Interest cost	**50,801**
8,405	Contributions from scheme participants	**8,530**
	Remeasurement (gains) and losses:	
-	- Actuarial gains arising on changes in demographic assumptions	**-21,644**
103,944	- Actuarial losses arising on changes in financial assumptions	**47,554**
-600	- Other	**-39,606**
1,126	Past service cost (including curtailments)	**675**
-33,680	Benefits paid	**-36,930**
-9,109	Liabilities extinguished on settlements	**-5,573**
1,132,897	**Closing balance at 31 March**	**1,168,688**

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprise:

2012-13 £000		2013-14 £000
16,625	**Cash and cash equivalents**	9,745
	Equity Instruments (by industry type):	
65,017	- Consumer	63,819
55,849	- Manufacturing	60,318
23,993	- Energy and Utilities	25,901
57,224	- Financial Institutions	73,736
19,655	- Health and Care	21,549
35,076	- Information Technology	43,706
2,590	- Other	2,029
259,404		291,058
47,649	**Private Equity**	43,478
	Investment Funds and Unit Trusts:	
238,434	- Equities	235,016
82,073	- Bonds	111,412
48,876	- Other	40,193
369,383		386,621
693,062	**Total Assets**	730,902

*All scheme assets have quoted prices in active markets

Basis for estimating assets and liabilities

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

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 1 April 2014.

The significant assumptions used by the actuary have been:

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NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000		2013-14 £000
	Long-term expected rate of return on assets in the scheme:	
4.5%	Equity investments	**4.3%**
4.5%	Bonds	**4.3%**
4.5%	Other	**4.3%**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.0	- Men	**22.5**
23.8	- Women	**24.5**
	Longevity at 65 for future pensioners:	
22.9	- Men	**24.4**
25.7	- Women	**26.9**
2.8%	Rate of inflation	**2.8%**
5.1%	Rate of increase in salaries	**4.6%**
2.8%	Rate of increase in pensions	**2.8%**
4.5%	Rate for discounting scheme liabilities	**4.3%**

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. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. 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
1 year increase in member life expectancy	**35,061**
0.5% decrease in inflation/ discount rate	**110,033**
0.5% increase in salary rate	**31,077**
0.5% increase in pension increase rate	**77,781**

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 2013-14, the Council paid £12.175m to Teachers' Pensions in respect of teachers' retirement benefits (2012-13 were £12.319m). There were no contributions remaining payable at the year-end:

2012-13 £000		2013-14 £000
12,319	Employer's contributions	**12,175**
6,644	Employee contributions	**7,570**
18,963	**Total paid to Department For Education**	**19,745**

These amounts reflect contributions at the following rates:

2012-13 %		2013-14 %
14.1	Employer contribution	**14.1**
	Employee contributions (pensionable pay based on salary bandings):	
6.4	£0 - £14,999	**6.4**
7.0	£15,000 - £25,999	**7.0**
7.3	£26,000 - £31,999	**7.9**
7.6	£32,000 - £39,999	**8.8**
8.0	£40,000 - £44,999	**9.2**
8.0	£45,000 - £74,999	**10.1**
8.4	£75,000 - £99,999	**10.6**
8.4	£100,000 - £111,999	**11.2**
8.8	£112,000+	**11.2**

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.

38. 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.

Municipal Mutual Insurance Limited (MMI)

A provision for £2 million was included in the accounts in 2012-13 to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement had been triggered (see note 20). This amount was based on a 15% levy of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. It is possible that the levy rate could eventually be higher than 15% and as such the required provision may need to be increased. However, it is not practicable at this time to accurately assess any potential increase over and above the initial £2 million provision, and so no amounts have been recognised in these accounts.

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 are at a very early stage with the contractor. As a result no amounts have been included in the accounts to cover the potential liabilities associated with this action.

NOTES TO THE CORE FINANCIAL STATEMENTS

Accounting for Landfill Sites

Recent guidance has suggested that 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. One 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 3rd 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. At this time, it is not practicable to estimate the costs involved in decommissioning and restoring these sites and as such, no provision has been included in the accounts for these potential liabilities.

It should be noted that the Council currently manages its closed landfill aftercare costs through its annual revenue budget. Any further remediation/ restoration work is carried out through one-off capital budget bids, which mitigates the need for any additional provision.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework detailed in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the *CIPFA Prudential Code*, the *CIPFA Treasury Management in the Public Services Code of Practice* and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum for exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- By approving an Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance against the prudential indicators is reported to Members as part of the outturn report at the end of each financial year.

NOTES TO THE CORE FINANCIAL STATEMENTS

The annual Treasury Management Strategy, which incorporates the prudential indicators, was approved by Council on 19 February 2013 and is available on the Council's website. The key issues within the Strategy were:

- The Authorised Limit for 2013-14 was set at £563m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £533m. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 130% and 30% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt are as follows:

Debt maturity (lower/upper limits as % of debt)	%
Less than 1 year	0 – 80
1-2 years	0 – 50
2-5 years	0 – 50
5-10 years	0 – 50

These policies are implemented by the treasury team. The Council maintains a written Treasury Management Manual that contains policies for overall risk management as well as specific areas such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the *Code of Practice* and are reviewed periodically.

Credit risk – the possibility that third parties might fail to pay amounts due to the Council

This risk is minimised through the Treasury Management Strategy, which requires that all investments are either short-term sterling cash deposits, or deposits in money market funds. Given the risks involved in making deposits in foreign banks, and the low level of cash investments relative to other local authorities, a restricted list of UK lenders is sufficient to provide a diversification against risk whilst providing the opportunity for earning a market rate of interest.

Whilst the credit crisis in international markets in recent years has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

No breaches of the Council's counterparty criteria occurred during the reporting year and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

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.

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

31-Mar-13 £000		31-Mar-14 £000
12,813	Less than three months	**20,508**
1,163	Three to six months	**1,160**
806	Six months to one year	**760**
2,399	More than one year	**3,221**
17,181	**Total**	**25,649**

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

Liquidity risk – the possibility that the Council might not have funds to meet its commitments to make payments

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 Strategies reports), as well as through a comprehensive cash flow management system, as required by the *Code of Practice*. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer-term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). 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.

The maturity profile of loans raised is spread over a period of up to 70 years to mitigate the risk of encountering difficulties in raising liquidity on favourable terms in any one year. The team monitor the maturity profile and amend it accordingly through either new borrowing or the rescheduling of the existing debt.

The maturity analysis of financial liabilities is as follows (note: this reflects loan principal, but not accrued interest):

31-Mar-13 £000		31-Mar-14 £000
-	Between one and two years	**23,043**
23,043	Between two and five years	**7,443**
52,054	Between five and ten years	**60,806**
301,046	More than ten years	**289,851**
376,143	**Total**	**381,143**
26 years	Average maturity of long term loans	**25 years**

NOTES TO THE CORE FINANCIAL STATEMENTS

All trade and other payables are due to be paid in less than one year and are not shown in the table above. Also not included above is the maturity analysis of the PFI financing liability as that information is given in note 34.

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

Interest rate risk
The Council is exposed to interest rate movements on its borrowings which 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 Comprehensive Income and Expenditure Statement would rise;
- Borrowings at fixed rates – the fair value of the borrowing would fall.

The Council currently has no variable rate borrowings; therefore changes in interest rates will have no impact on the carrying value of the Council's borrowings. However, the impact of a 1% increase in interest rates would reduce the fair value of fixed rate borrowings by £53.9m. The impact of a 1% reduction would increase the fair value of fixed rate borrowings by £69.5m.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable on variable rate borrowings will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately.

Price risk
The Council, excluding the pension fund, does not invest in equity shares or marketable bonds and is therefore not subject to price risk.

Foreign exchange risk
The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

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

It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies. The Council has a policy of limiting deposits with institutions to a maximum of £20m.

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 parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies 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 Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

40. HERITAGE ASSETS: Summary of Transactions since April 2010

The Council provides some details of known acquisitions since 2008 in note 13, which include items added to the Cromwell Museum at an overall valuation of £12,226. It is also known that there has been a 7% increase in the storage space required for the archives.

As the known values of acquired items are either small or prohibitively costly to obtain, the Council does not believe that providing a break-down of acquisitions by year, over any time period, would prove useful.

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

Cambridgeshire Archives and Local Studies

The archives collections held by Cambridgeshire Archives and Local Studies (CALS) include original historical documents relating to the area covered by the modern county of Cambridgeshire, and are made available to the public in 2 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.

A catalogue of the collection is available publically through the internet and contains details of at least 250,000 items. There may be another 250,000 or so items still to catalogue. There are three active cataloguing projects which focus on Cambridge City, Manorial Documents and the "Fen Office" and Bedford Level.

Governance

The Council 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 strongrooms. The strongrooms in the basement of Shire Hall, Cambridge, do not meet the current standard and we have been informed by The National Archives that they expect the Council to find alternative storage by 2015. The strongroom at Huntingdon Library and Archives and the Cottenham outstore do meet the expected standard.

CALS has a conservation studio in which damaged or very fragile documents are repaired. CALS 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.

Status of acquisitions
Currently CALS holds about 570 cubic metres of archives. In addition about 290 cubic metres of local studies materials are held at the Cambridge Central Library.

The majority of acquisitions are made by long term or permanent deposit; CALS 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 CALS 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 13.

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. Not all of the collection is on display, but all material in the collection is available for study and consultation on request.

The Curator is supported by an advisory committee. The Museum has recently undertaken a project to complete the digital recording of the collection which is now complete.

Archaeology and Monuments
The archaeology collection principally consists of around 10,000 boxes of material excavated in the county since 1992, with partial coverage from before that date. These archives are

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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 archaeology collection has recently been relocated outside of the county to 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 £15,000 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, Cambridge Civil War Defences and Worts Farm Granary, 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.

Art Collection

The art collection consists of 413 paintings, prints, drawings and photographs. The primary use of the collection is by Cambridgeshire schools to support and enrich the curriculum. As at 31 March 2013, 7 schools were displaying items from the collection, requests for works can be made by schools through the Council's website.

Historically the collection has grown through art works being bought or donated. In recent years the collection has grown through donations only, and is now static. The average insurance valuation per work is £363. Administration of the collection is undertaken by Council staff within Children and Young People's Services.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

42. PRIOR PERIOD ADJUSTMENT

The Council has made a Prior Period Adjustment to reflect an amendment to the recognition of IAS19 - Post Employment Benefits (Revised 2011). Defined benefits costs are now required to be split between service costs, net interest, and remeasurements. This is a presentational change in the IAS19 disclosure (note 37), and the amendment to the Council's accounting policies reflects this change in terminology.

The total impact on 2012-13 balances is a follows:

2012-13 £000	**Comprehensive Income and Expenditure Statement**	**2012-13 (Restated) £000**	**Movement £000**
35,111	Financing and Investment Expenditure	39,823	**4,712**
46,886	Actuarial Losses on Pension Liabilities	42,174	**-4,712**
31-Mar-13 £000	**Movement in Reserves Statement**	**31-Mar-13 (Restated) £000**	**Movement £000**
-23,089	Deficit on provision of services	**-27,801**	**-4,712**
25,549	Adjustments between accounting basis and funding basis under regulations	**30,261**	**4,712**
2012-13 £000	**Adjustments Between Accounting Basis and Funding Basis Under Regulations (note 7)**	**2012-13 (Restated) £000**	**Movement £000**
34,283	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 22)	**38,995**	**4,712**
31-Mar-13 £000	**Pensions Reserve (note 22)**	**31-Mar-13 (Restated) £000**	**Movement £000**
-46,885	Remeasurement of net defined liability	**-42,173**	**4,712**
-34,283	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	**-38,995**	**-4,712**
31-Mar-13 £000	**Retirement Benefits disclosure (note 37)**	**31-Mar-13 (Restated) £000**	**Movement £000**
13,485	Net interest expense	**18,197**	**4,712**
46,885	Actuarial loss		**-46,885**

NOTES TO THE CORE FINANCIAL STATEMENTS

- Return on plan assets (excluding the amount included in the net interest expense)	-61,171	-61,171
- Actuarial loss arising on changes in financial assumptions	103,944	103,944
- Other	-600	-600

As shown in the table above, the net pension liability (position of the Pensions Reserve) has not been affected by this change (due to equal an opposite adjustments being applied in accordance with the Code of Practice. Therefore the balance sheet has not needed to be restated.

PENSION FUND

PENSION FUND

INTRODUCTION

1.1 The following comprises the Statement of Accounts for the Cambridgeshire Fund. The accounts cover the financial year from 1 April 2013 to 31 March 2014.

1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 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 year 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 year.

Notes to the Pension Fund 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.

PENSION FUND ACCOUNT

31-Mar-13 £000		Notes	31-Mar-14 £000
	Dealings with members, employers and others directly involved in the fund:		
96,062	Contributions	8	99,575
4,553	Transfers in from other pension funds	9	4,249
100,615			103,824
-78,179	Benefits	10	-87,599
-5,607	Payments to and on account of leavers	11	-5,514
-2,920	Administration expenses	12	-2,652
-86,706			-95,765
13,909	**Net additions from dealings with members**		8,059
	Returns on investments:		
31,084	Investment income	13	36,504
-1,899	Taxes on income		-1,803
218,052	Profit and losses on disposal of investments and changes in the market value of investments	16a	115,628
-2,309	Investment expenses	14	-4,569
244,928	**Net returns on investments**		145,760
258,837	**Net increase in the net assets available for benefits during the year**		153,819

Cambridgeshire County Council

PENSION FUND NET ASSETS STATEMENT

31-Mar-13 £000		Notes	31-Mar-14 £000
1,839,403	Investment assets	16	1,991,232
42,647	Cash deposits	16	47,259
1,882,050			**2,038,491**
-2,564	Investment liabilities	16	-5,311
22,315	Current assets	21	22,202
5,441	Non current assets	22	4,053
-3,520	Current liabilities	23	-1,894
21,672			19,050
1,903,722	**Net assets of the fund available to fund benefits at the year end**		**2,057,541**
1,644,885	**Opening net assets as at 1 April**		1,903,722
258,837	Net increase in the net assets available for benefits during the year		153,819
1,903,722	**Closing net assets as at 31 March**		**2,057,541**

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The Cambridgeshire Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The 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 Cambridgeshire Fund's Annual Report 2013-14 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

General

The Fund was governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended);
- the LGPS (Administration) Regulations 2008 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire County 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 Pensions Committee, which is a committee of the 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 Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies, which are 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.

There are 305 employer organisations in total within Cambridgeshire Fund including the county council itself, as detailed below. 197 of these have active members.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Cambridgeshire Fund	31-Mar-14	31-Mar-13
Number of employers with active members	197	157
Number of employees in scheme:		
County council	10,723	9,820
Other employers	14,131	12,940
Total	**24,854**	**22,760**
Number of Pensioners:		
County council	7,304	6,937
Other employers	7,687	7,337
Total	**14,991**	**14,274**
Deferred pensioners:		
County council	12,993	12,475
Other employers	12,800	12,091
Total	**25,793**	**24,566**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2014. Member contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Currently, employer contribution rates range from 11.9% to 49.8% of pensionable pay.

Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
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 salary. 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.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

LGPS – 2014

The key changes in LGPS 2014 from the current scheme are that the new scheme will:

- Be a Career Average Revalued Earnings (CARE) scheme rather that a final salary one;
- Have an accrual rate providing a pension of 1/49th of pensionable earnings for each year rather than 1/60th of final pay;
- Have a Normal Pension Age which will be individual to each member, being their State Pension Age, or age 65 if that is greater;
- Allow members who have left their pensionable employment to take payment of benefits once they are at least 55 years of age without requiring their former employer's consent to payment. If taken before age 60, their benefits will be reduced to take account of them being paid before their Normal Pension Age without reference to any "85 Year Rule" protection they may have;
- Have a "vesting period", i.e. the length of membership of the scheme required to qualify for a pension/deferred pension as opposed to a return of pension benefits or a refund, of 2 years; it is currently 3 months;
- Still have tiered contribution rates, however the bandings and rates will be different, with significant increases in rates for those earning more than £43,000 pa and with the rate paid being set by the level of a member's actual pensionable earnings, rather than the full time equivalent for part time workers;
- Provide members with a degree of contribution flexibility which is not currently available, in that they may elect to pay one half of the standard contribution rate and accrue a pension at the lower accrual rate of 1/98th; this is referred to as the 50/50 section of the scheme;
- Include non contractual overtime and pay from additional hours of part time workers as pensionable pay.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2013-14 financial year and its position at year-end as at 31 March 2014. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2013-14* 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. The actuarial present value of promised retirement benefits, valued on an *International Accounting Standard (IAS) 19* basis, is disclosed at Note 20 of these accounts.

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 in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in 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 9 and 11).

Individual transfers in/out are accounted for on an accruals basis.

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 9).

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 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 year is disclosed in the net assets statement as a current financial asset.

NOTES TO THE PENSION FUND ACCOUNTS

iv) *Movement in the net market value of investments*
Changes in the net market value of investments (including investment properties) are recognised as income 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.

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.

Administration expenses
All administration expenses are accounted for on an accruals basis. All staff costs of the Pensions Administration Team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

Investment management expenses
All investment management expenses are accounted for on an accruals basis.
Fees of the external investment managers and 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:

- Schroders Investment Management – Multi Asset
- Amundi Asset Management – Pan European Equity
- Newton Asset Management – Global Asset
- Skagen Asset Management - Emerging Market

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

There were performance related fees in 2013-14 of £1.7m (2012-13: Nil)

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.

The cost of obtaining investment advice from external consultants is included in investment management charges.

The costs of the Council's in house fund management team are charged direct to the fund and a proportion of the Council's costs representing management time spent by officers on investment management are also 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 by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- **Market-quoted investments**
  The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting year.

- **Unquoted investments**
  The fair value of investments for which market quotations are not readily available is determined as follows:
  - Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs;
  - Investments in pooled investment vehicles are valued at the net asset value or a single price advised by the fund manager;
  - Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association;
  - The joint ownership of Cambridge and Counties Bank is valued at cost, i.e. amounts invested by the Pension Fund.

- **Pooled investment vehicles**
  Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

NOTES TO THE PENSION FUND ACCOUNTS

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 year.

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.

For example Amundi manage a portfolio comprising UK and European equities. They use currency forward contracts to keep their overall currency exposure in line with their benchmark index regardless of whether they are overweight or underweight to specific countries.

So, for example, if they are overweight to Eurozone countries relative to their benchmark, they will also hold a currency forward contract which removes the extra euro exposure in favour of sterling (i.e. a negative position on the euro and positive position on sterling).

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.
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. 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.

Contingent liabilities

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

NOTES TO THE PENSION FUND ACCOUNTS

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 (Revised 2011) and relevant actuarial standards [Code Para 6.5.2.8].

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 Cambridgeshire 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. AVC's 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(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 24).

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2014 was £138m (£129.2m at 31 March 2013).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with quarterly updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. ASSUMPTION 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.

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 £245m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £79m, and a one-year increase in assumed life expectancy would increase the liability by approximately £79m.
Private equity and infrastructure	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.	The total private equity investments in the financial statements are £123.8 million. There is a risk that this investment may be under- or overstated in the accounts.
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. The Pension Fund's investment is valued at cost as an estimate for Fair Value.	The investment in the financial statements is £14.5 million. There is a risk that this investment may be under- or overstated in the accounts.

6. CHANGES IN ACCOUNTING POLICY

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose in the notes to the pension fund accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting year, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Council will also disclose information relating to an accounting standard, which has been issued but not yet adopted.

NOTES TO THE PENSION FUND ACCOUNTS

7. EVENTS AFTER THE YEAR END DATE

There have been no events since 31 March 2014 that require adjustment.

8. CONTRIBUTIONS RECEIVABLE

By category

2012-13 £000		2013-14 £000
73,172	Employers	76,086
22,890	Members	23,489
96,062		99,575

By authority

2012-13 £000		2013-14 £000
33,283	Administering Authority	30,525
48,229	Scheduled Bodies	62,884
14,550	Admitted Bodies	6,166
96,062		99,575

9. TRANSFERS IN FROM OTHER PENSION FUNDS

2012-13 £000		2013-14 £000
4,553	Individual transfers	4,249
4,553		4,249

Transfers in from other pension funds are contingent on positive transfer elections from new employees with previous pension rights available to transfer. In the current financial climate there is an ongoing restriction on new employees within public sector employers and therefore transfer applications. Significantly, the Fund also introduced a new transfer in business process in the 2013-14 year with certain self service aspects, passing specific responsibilities from the administering authority to the member. This was predicted to reduce the volume of transfer in elections.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

10. BENEFITS PAYABLE

By category

2012-13 £000		2013-14 £000
60,164	Pensions	68,383
16,540	Commutation and lump sum retirement benefits	17,691
1,475	Lump sum death benefits	1,525
78,179		87,599

By authority

2012-13 £000		2013-14 £000
32,582	Administering Authority	34,247
37,744	Scheduled Bodies	49,744
7,853	Admitted Bodies	3,608
78,179		87,599

The commutation and lump sum retirement benefits value is dependent on volumes of retirements and the specific commutation decisions of retirees. The value is expected to reduce year on year, even if commutation trends remain constant, as the amount of post 31 March 2008 service (which provides no automatic lump sum) forms an ever increasing component of the service on which pension benefits are based.

11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2012-13 £000		2013-14 £000
9	Refunds to members leaving service	15
1	Payments for members joining state scheme	-
5,597	Individual transfers	5,499
5,607		5,514

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. The current financial climate reduces the opportunity for individuals to join secure pension schemes to which they may wish to transfer their accrued LGPS benefits.

The Refunds total is extremely sensitive to fluctuations as a result of the small relative value. A lack of new staff would contribute to a reduced figure as would the raising of general pensions awareness through the automatic enrolment campaign.

NOTES TO THE PENSION FUND ACCOUNTS

12. ADMINISTRATION EXPENSES

*2012-13 £000		2013-14 £000
1,678	Pension Service costs	1,472
559	County Council recharges	733
383	Direct Fund recharges	447
300	Investment related costs	-
2,920		2,652

*Restated in order to disclose categories on a comparable basis.

13. INVESTMENT INCOME

2012-13 £000		2013-14 £000
1	Fixed interest securities	-
22,622	Equity dividends	24,275
7,893	Pooled investments – unit trusts and other managed funds	9,645
244	Interest on cash deposits	161
324	Other (includes stock lending, class action and underwriting)	2,423
31,084		36,504

14. INVESTMENT EXPENSES

2012-13 £000		2013-14 £000
1,974	Management fees	4,015
335	Investment support costs	554
2,309		4,569

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

15. INVESTMENTS

2012-13 £000		2013-14 £000
	Investment assets:	
703,467	Equities	**745,800**
869,170	Pooled investments	**955,205**
132,546	Pooled property investments	**146,164**
129,218	Private equity/infrastructure	**138,312**
	Derivatives:	
302	• Futures	**199**
727	• Forward currency contracts	**-**
42,647	Cash deposits	**47,259**
2,955	Investment income due	**3,462**
1,018	Amounts receivable for sales	**2,091**
1,882,050	**Total investment assets**	**2,038,492**
	Investment liabilities	
	Derivative contracts:	
-13	• Forward currency contracts	**-107**
-2,551	• Amounts payable for purchases	**-5,205**
-2,564	**Total investment liabilities**	**-5,312**
1,879,486	**Net investment assets**	**2,033,180**

16(a). Reconciliation of movements in investments and derivatives

	Market value 1-Apr-13 £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-14 £000
Equities	703,467	223,658	-248,972	67,647	**745,800**
Pooled investments	869,170	149,107	-98,038	34,966	**955,205**
Pooled property investments	132,546	39,577	-34,221	8,262	**146,164**
Private equity/infrastructure	129,218	21,090	-17,623	5,627	**138,312**
	1,834,401	**433,432**	**-398,854**	**116,502**	**1,985,481**
Derivative contracts:					
• Futures	302	234	-427	90	**199**
• Forward currency contracts	714	1,289	-1,643	-467	**-107**
	1,835,417	**434,955**	**-400,924**	**116,125**	**1,985,573**
Other investment balances:	44,069	186,318	-182,283	-497	**47,607**
• Cash deposits	42,647				**47,259**
• Amount receivable for sales	1,018				**2,091**
• Investment income due	2,955				**3,462**
• Amounts payable for purchases of investments	-2,551				**-5,205**
Net Investment Assets	**1,879,486**	**621,273**	**-583,207**	**115,628**	**2,033,180**

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NOTES TO THE PENSION FUND ACCOUNTS

	Market value 1-Apr-12 £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-13 £000
Fixed interest securities	-	1,829	-1,829	-	**-**
Equities	651,200	176,132	-230,542	106,677	**703,467**
Pooled investments	649,773	110,658	-4,300	113,039	**869,170**
Pooled property investments	143,873	38,543	-34,670	-15,200	**132,546**
Private equity/infrastructure	99,134	27,660	-11,991	14,415	**129,218**
	1,543,980	**354,822**	**-283,332**	**218,931**	**1,834,401**
Derivative contracts:					
• Futures	-114	1,972	-2,669	1,827	**1,016**
	1,543,866	**356,794**	**-286,001**	**220,758**	**1,835,417**
Other investment balances:	44,017	206,162	-203,404	-2,706	**44,069**
• Cash deposits	35,923				**42,647**
• Amount receivable for sales	5,402				**1,018**
• Investment income due	3,380				**2,955**
• Amounts payable for purchases of investments	-688				**-2,551**
Net investment assets	**1,587,883**	**562,956**	**-489,405**	**218,052**	**1,879,486**

Transaction costs are included in the cost of purchases and in sale proceeds. They include costs charged directly to the fund, such as fees, commissions, stamp duty and other fees.

Transaction costs incurred during the year total £670,864 (£710,024 in 2012-13). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

NOTES TO THE PENSION FUND ACCOUNTS

16(b). Analysis of Investments (excluding Derivative Contracts)

2012-13 £000		2013-14 £000
	Equities	
	UK:	
331,346	Quoted	335,542
	Overseas:	
372,121	Quoted	410,258
703,467		745,800
	Pooled funds – additional analysis	
	UK:	
248,947	Fixed income	270,273
221,964	Equity	206,166
	Overseas:	
28,337	Fixed income	49,419
369,922	Equity	429,347
869,170		955,205
132,546	Pooled property investments	146,164
129,218	Private equity/ infrastructure	138,312
261,764		284,476
1,834,401		1,985,481

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.

Futures

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

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.

NOTES TO THE PENSION FUND ACCOUNTS

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure £000	Market value 31-Mar-13 £000	Economic exposure £000	Market value 31-Mar-14 £000
Assets					
UK Equity	Less than 1 year	2,114	51	17,050	221
Overseas Equity	Less than 1 year	16,912	250		
Total assets		**19,026**	**301**	**17,050**	**221**
Liabilities					
UK Equity	Less than 1 year				
Overseas Equity	Less than 1 year			-10,330	-22
Total Liabilities		**-**	**-**	**-10,330**	**-22**
Net Futures		**19,026**	**301**	**6,720**	**199**

Open forward currency contracts

Settlement	Currency bought	Base market value £000	Currency sold	Base market value £000	Asset value £000	Liability value £000
Up to two months	JPY	544	GBP	-548		-4
Up to two months	GBP	2,814	EUR	-2,811	3	
Up to two months	GBP	758	USD	-756	2	
Up to four months	SEK	10,258	EUR	-10,366		-108
Up to seven months						
Up to eight months						
					5	**-112**
Net forward currency contracts at 31 March 2014						**-107**
Prior year comparative:						
Open forward currency contracts at 31 March 2013					**727**	**-13**
Net forward currency contracts at 31 March 2013						**714**

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NOTES TO THE PENSION FUND ACCOUNTS

Investments analysed by fund manager

Market value 31-Mar-13 £000	%		Market value 31-Mar-14 £000	%
763,246	40.6	Schroders Investment Management	827,497	40.7
460,638	24.5	State Street Global Asset Management	470,731	23.2
221,786	11.8	Newton Investment Management	234,932	11.6
184,685	9.8	Amundi Investment Management	214,409	10.5
86,208	4.6	Skagen	90,157	4.4
28,338	1.5	M&G	49,418	2.4
41,162	2.2	Adams Street Partners	45,668	2.2
40,054	2.1	HarbourVest	38,740	1.9
19,825	1.1	UBS Infrastructure	17,498	0.9
13,341	0.7	Equitix	16,302	0.8
11,028	0.6	Cambridge & Counties Bank	14,478	0.7
5,367	0.3	Cash with Custodian	7,724	0.4
3,808	0.2	Partners	5,626	0.3
1,879,486	**100.0**		**2,033,180**	**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-13 £000	% of total fund %	Market value 31-Mar-14 £000	% of total fund %
Schroder International Selection Fund – Strategic Bd	94,738	5.0	156,756	7.7
Schroders Unit Trusts Instl Sterling Broad Mkt Bond X ACC	99,495	5.3	113,517	5.6
MPF All World Equity Index Sub-Fund	223,391	11.9	269,174	13.3
MPF UK Equity Index Sub-Fund	218,275	11.6	201,556	9.9

16(c): Stock Lending

The fund strategy statement sets the parameters for the fund's stock-lending programme. At the year-end, the value of securities on loan was £126.7m (31 March 2013: £81.7m) in exchange for which the custodian held collateral at fair value of £140.9m (31 March 2013: £89.3m). Collateral consists of acceptable securities and government debt.

17: FINANCIAL INSTRUMENTS

17a: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The

NOTES TO THE PENSION FUND ACCOUNTS

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 accounting) year:

31-Mar-13 Designated as fair value through profit and loss £000	31-Mar-13 Loans and receivables £000	31-Mar-13 Financial liabilities at amortised cost £000		31-Mar-14 Designated as fair value through profit and loss £000	31-Mar-14 Loans and receivables £000	31-Mar-14 Financial liabilities at amortised cost £000
			Financial assets:			
703,467			Equities	745,800		
869,170			Pooled investments	955,205		
132,546			Pooled property investments	146,164		
129,218			Private equity/ infrastructure	134,987		
1,016			Derivatives contracts	199		
	42,647		Cash		47,259	
2,955			Other investment balances	3,462		
	1,018		Receivables		2,091	
1,838,372	**43,665**	**-**		**1,985,817**	**49,350**	**-**
			Financial liabilities:			
-			Derivative contracts	-		-107
		-2,551	Payables			-5,205
1,838,372	**43,665**	**-2,551**		**1,985,817**	**49,350**	**-5,312**

17b: Net Gains and Losses on Financial Instruments

31-Mar-13 Fair value £000		31-Mar-14 Fair value £000
	Financial assets:	
217,214	Fair value through profit and loss	**116,502**
844	Loans and receivables	**-497**
	Financial liabilities:	
-6	Financial liabilities measured at amortised cost	**-377**
218,052	**Total**	**115,628**

17c: Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

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NOTES TO THE PENSION FUND ACCOUNTS

31-Mar-13 Carrying value £000	Fair value £000		31-Mar-14 Carrying value £000	Fair value £000
		Financial assets:		
1,838,372	1,838,372	Fair value through profit and loss	1,989,142	1,989,142
43,665	43,665	Loans and receivables	49,350	49,350
1,882,037	**1,882,037**	**Total financial assets**	**2,038,492**	**2,038,492**
		Financial liabilities:		
-2,551	-2,551	Loans and receivables	-5,312	-5,312
-2,551	**-2,551**	**Total financial liabilities**	**-5,312**	**-5,312**

The Council has not entered into any financial guarantees that are required to be accounted for as financial instruments.

17d: Valuation of Financial Instruments Carried At Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments 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.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments 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 and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments 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.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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.

NOTES TO THE PENSION FUND ACCOUNTS

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, 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 2014	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	1,727,026	8,791	253,325	1,989,142
Loans and receivables	49,350	-	-	49,350
Total financial assets	**1,776,376**	**8,791**	**253,325**	**2,038,492**
Financial liabilities				
Financial liabilities at amortised cost	-5,312	-	-	-5,312
Total financial liabilities	**-5,312**	**-**	**-**	**-5,312**
Net financial assets	**1,771,064**	**8,791**	**253,325**	**2,033,180**

Values at 31 March 2013	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	1,404,551	21,420	412,401	1,838,372
Loans and receivables	43,665	-	-	43,665
Total financial assets	**1,448,216**	**21,420**	**412,401**	**1,882,037**
Financial liabilities				
Financial liabilities at amortised cost	-2,551	-	-	-2,551
Total financial liabilities	**-2,551**	**-**	**-**	**-2,551**
Net financial assets	**1,445,665**	**21,420**	**412,401**	**1,879,486**

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.

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NOTES TO THE PENSION FUND ACCOUNTS

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 Board. 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 advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- 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.

b) 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.

NOTES TO THE PENSION FUND ACCOUNTS

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.

c) Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on funds' asset allocations.
We provide an example below;

Asset Type	Potential Market Movement +/- (%p.a.)
Equities	12.5
Pooled Bonds	3.5
Alternatives	2.9
Gilts/ Corporate Bonds	2.7
Property	2.3
Cash	0.0

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the year end asset mix as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2014 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
Equities	1,381,313	12.5	1,553,977	1,208,649
Pooled Bonds	319,692	3.5	51,124	47,714
Property	146,164	2.3	149,482	142,846
Alternatives	138,312	2.9	142,378	134,246
Cash	47,259	0	47,268	47,249
Gilts/ Corps	-	2.7	-	-
Total Assets	**1,762,467**	**8.3**	**1,944,229**	**1,580,704**

Asset Type	Value as at 31 March 2013 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
Equities	1,295,353	13.3	1,467,635	1,123,071
Gilts/ Corporate Bonds	258,312	4.0	268,644	247,980
Property	132,546	2.0	135,197	129,895
Alternatives	129,218	4.5	135,033	123,403
Cash	42,647	0.0	42,656	42,638
Index Linked	18,972	7.8	20,452	17,492
Total Assets	**1,877,048**	**8.6**	**2,038,474**	**1,715,622**

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

NOTES TO THE PENSION FUND ACCOUNTS

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 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31-Mar-13 £000	Asset Type	As at 31-Mar-14 £000
42,647	Cash and cash equivalents	47,259
2,438	Cash balances	8,299
277,284	Fixed interest securities	319,692
322,369	**Total**	**104,977**

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) 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 change in interest rates:

Asset Type	Carrying amount as at 31-Mar-14 £000	Change in year in the net assets available to pay benefits +100 BPS £000	-100 BPS £000
Cash and cash equivalents	47,259	473	-473
Cash balances	9,000	90	-90
Fixed interest securities	49,419	494	-494
Total change in assets available	**104,977**	**1,050**	**-1,050**

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Asset Type	Carrying amount as at 31-Mar-13 £000	Change in year in the net assets available to pay benefits +100 BPS £000	-100 BPS £000
Cash and cash equivalents	2,438	24	-24
Cash balances	42,647	426	-426
Fixed interest securities	277,284	19,410	-19,410
Total change in assets available	**322,369**	**19,860**	**-19,860**

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 advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations. The following table summarises the Fund's currency exposure as at 31 March 2014 and as at the previous year end:

Currency exposure – asset type	Asset Value at 31-Mar-13 £000	Asset Value at 31-Mar-14 £000
Overseas Equities	742,043	839,605
Overseas Fixed Income	28,337	49,419
Total overseas assets	**770,380**	**889,024**

Currency risk – sensitivity analysis

We consider two approaches to determining potential currency risk.

The first method determines the potential volatility of the aggregate currency exposure within the fund at the year end and applies this single outcome to all non-UK assets. In order to calculate this, we need to create a currency basket based on a fund's currency mix. We do this by multiplying the weight of each currency by the change in its exchange rate (relative to GBP) and sum to create the aggregate currency change of the 'basket'. The aggregate currency change for March 2014 was 7.7% (4.8% for March 2013).

Repeating this for all of the months in our measurement period allows us to measure the observed volatility of this unique currency basket's changes relative to GBP. The 7.7% currency change is applied to the Fund's overseas assets as follows;

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Asset Type	Asset Value @ 31-Mar-14 £000	Change to net assets available to pay benefits +7.7%	-7.7%
Overseas Equities	839,605	903,953	775,257
Overseas Fixed Income	49,419	51,124	47,714
	889,024	**955,077**	**822,971**

Asset Type	Asset Value @ 31-Mar-13 £000	Change to net assets available to pay benefits +4.8%	-4.8%
Overseas Equities	742,043	777,925	706,161
Overseas Fixed Income	28,337	29,707	26,967
Total overseas assets	**770,380**	**807,632**	**733,128**

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 of receipts that remain 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 uncollectable deposits over the past five financial years. The Fund's cash holding

NOTES TO THE PENSION FUND ACCOUNTS

under its treasury management arrangements at 31 March 2014 was £8.3m (31 March 2013: £12.4m). This was held with the following institutions:

	Rating	Balances as at 31 March 2013 £000	Balances as at 31 March 2014 £000
Bank deposit accounts			
Barclays Bank	A	12,417	8,299
Total		**12,417**	**8,299**

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 Council therefore takes steps to ensure that the Pension Fund 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 Council has immediate access to its Pension Fund cash holdings.

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 2013 the value of illiquid assets was £156.7m, which represented 7.7% of the total Fund assets (31 March 2013: £132.5m, which represented 7.0% of the total Fund assets).

All financial liabilities at 31 March 2014 are due within one year.

19: FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2008, 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 2013. The next valuation will take place as at 31 March 2016.

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.

NOTES TO THE PENSION FUND ACCOUNTS

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a maximum period of 12 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 90% of the 100% funding target, a deficit recovery plan has been put in place requiring additional contributions from the employer to meet the shortfall.

At the 2013 actuarial valuation, the Fund was assessed as 72.4% funded (72.9% at the March 2010 valuation). This corresponded to a deficit of £720m (2010 valuation: £555m) at that time.

The common contribution rate (i.e. the rate which all employers in the Fund pay) is:

Year	Employers' contribution rate
2013-14	26.1%
2014/15	30.5%
2015/16	30.5%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the Fund's website.

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-13	
Assumption	**Description**	**Nominal**	**Real**
Price Inflation (CPI)/ Pension increases		2.5%	-
Pay increases*	CPI plus 1.8% p.a.	4.3%	1.8%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.6% p.a.	4.6%	2.1%

*1% p.a. for 2010-11 and 2011-12, reverting to 5.3% pa thereafter. Plus an allowance for promotional pay increase

Mortality assumptions

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

NOTES TO THE PENSION FUND ACCOUNTS

Assumed life expectancy at age 65	Actives and Deferreds		Current Pensioners	
	Male	Female	Male	Female
2010 valuation – baseline	21.2	23.8	21.2	23.8
2010 valuation – improvements	23.5	25.9	22.4	25.0
2013 valuation – baseline	20.1	22.8	20.3	22.4
2013 valuation – improvements	24.4	26.9	22.5	24.5

Note that the figures for actives and deferreds 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.

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.

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 (Revised 2011) 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 (Revised 2011).

The actuarial present value of promised retirement benefits at 31 March 2014 was £ 3.120bn (31 March 2013: £3.033bn). The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

NOTES TO THE PENSION FUND ACCOUNTS

The liabilities above are calculated on an IAS 19 (Revised 2011) basis and therefore differ from the results of the 2010 triennial funding valuation (see note 18) because IAS 19 (Revised 2011) stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

	31-Mar-14 % p.a.	31-Mar-13 % p.a.
Inflation/pension increase rate assumption	2.8	2.8
Salary increase rate	4.6	*5.1
Discount rate	4.3	4.5

*Salary increases are 1% p.a. nominal until 31 March 2016 reverting to the long term rate thereafter

21. CURRENT ASSETS

31-Mar-13 £000		31-Mar-14 £000
	Receivables:	
640	Contributions due – members	**2,114**
6,314	Contributions due – employers	**5,921**
115	Transfer values receivable (joiners)	**146**
3,329	Sundry receivables	**5,892**
11,917	Cash balances	**8,129**
22,315		**22,202**

The reduction in current assets is predominantly due to cash balances, which represents surplus contributions received over benefits paid, due to be distributed to Fund Managers for investment. The Fund actively managed the Fund's cash balances during 2013-14, ensuring that surplus cash was invested quarterly.

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 2014 the total amount due from the Ministry of Justice under this agreement was £4.424m, with £0.632m being shown in Current Assets and £3.792m being shown in Non Current Assets.

Additionally, Non Current Assets includes £0.261m which relates to pension strain/early retirement amounts due after 12 months from 31 March 2014.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

23. CURRENT LIABILITIES

31-Mar-13 £000		31-Mar-14 £000
2,288	Sundry payables	885
550	Fund management	-
-	Transfer values payable (leavers)	389
682	Benefits payable	620
3,520		1,894

Commutation and lump sum retirement benefits are dependent on volumes of retirements and the specific commutation decisions of retirees. This value is expected to reduce year on year, even if commutation trends remain constant, as the amount of post 31 March 2008 service (which provides no automatic lump sum) forms an ever increasing component of the service on which pension benefits are based.

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-13 £000		Market value 31-Mar-14 £000
656	Equitable Life	578
6,080	Prudential	6,984
6,736		7,562

25: RELATED PARTY TRANSACTIONS

The Cambridgeshire County Council

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

The Council incurred costs of £2.7m (2012-13: £2.9m) 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 £23.3m to the Fund in 2013-14 (2012-13: £24.5m).

Cambridge and Counties Bank

The Pension Fund is joint owner, along with Trinity Hall, 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. into the Pension Fund.

NOTES TO THE PENSION FUND ACCOUNTS

Governance

The following Pension Fund Board members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme:-

- Councillor Batchelor (resigned 2 May 2013)
- Councillor Hickford
- Councillor Seaton
- David Brooks (resigned 6 December 2013)
- Matthew Pink
- John Walker

Each member of the Pension Fund Board is required to declare their interests at each meeting.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2014 totalled £93.9m (31 March 2012: £75.7m)

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.

27. 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.

28. IMPAIRMENT LOSSES

Impairment for bad and doubtful debts

During 2013-14 the fund did not suffer any impairment loss (2012-13: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

29. ORGANISATIONS PARTICIPATING IN THE PENSION FUND AT 31 MARCH 2014

Major Scheduled Bodies:	
Cambridge City Council	East Cambs District Council
Cambridgeshire Chief Constable	Fenland District Council
Cambridgeshire Police & Crime Commissioner	Huntingdonshire District Council
Cambridgeshire Fire Authority	Peterborough City Council
Cambridgeshire County Council	South Cambs District Council

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Other Scheduled Bodies:	
Cambridge Regional College	Long Road Sixth Form College
Hills Road Sixth Form College	Peterborough Regional College
Huntingdonshire College	
Academies:	
Abbey College Academy	Linton VC Academy
Alderman Jacobs Academy	Longsands Comm College Academy
All Saints Inter Church Academy	Matley Primary School Academy
Arthur Mellows VC Academy	Melbourn VC Academy
Bassingbourn V C Academy	Middlefield CP School (Academy)
Bishop Creighton Academy	Murrow Primary School Academy
Bottisham VC Academy	Neale Wade Academy
Bourn Primary Sch Academy	Nene Infants Acad (MAT)
Buckden CE Primary Sch-Academy	Nene Park Academy (MAT)
Burrowmoor Primary Acad.	New Road Primary School
Bury CE Primary Sch (MAT)	Newark Hill Primary Acad (MAT)
Cambourne Village Coll. Acad. (MAT)	North Cambridge Acad (MAT)
Cambridge Meridian Academy Trust	Ormiston Bushfield Academy
Cambridge Primary Education Trust	Park Lane Primary & Nursery School
Chesterton Academy	Parkside Federation Academies
Chesterton Primary Acad. (MAT)	Peckover Primary Academy
City of Peterborough Academy (MAT)	Ramnoth Primary Acad (MAT)
City of Peterborough Academy Special School (MAT)	Round House C. P. Sch (MAT)
Comberton VC Academy	Sawston VC Academy
Cottenham VC Academy	Sawtry Community College Academy
Cromwell Comm College (Academy)	Shade Primary School (MAT)
Crosshall Infants Academy	Sir Harry Smith Comm Coll (Academy)
Crosshall Juniors Academy	Soham VC Academy
Ely (City of) College - Academy	St Bede's Inter Church School (Academy)
Ernulf Academy	St Ivo School Academy
Fulbridge Academy	St John Fisher
Godmanchester CP School (Academy)	St John's Academy, Stanground
Great Staughton Academy (MAT)	St Peter's School HD Academy
Hatton Park School (MAT)	Stanground Academy (MAT)
Highlees Primary School	Swavesey VC Academy (MAT)
Hinchingbrooke Academy	The Centre School Academy
Histon and Imp. Infants (MAT	The Kings School Academy
Histon and Imp. Junior (MAT	The Voyager Academy
Impington VC - Academy	Thomas Clarkson C C Academy
John Clare Primary School	Thomas Deacon Academy
Kennett Community School (Academy)	Welland Primary School (MAT)

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Kimbolton Primary Acad (MAT)	Winhill Primary School (Academy)
Leverington Primary Academy	Witchford VC - Academy
Designated Bodied (also known as Resolution Bodies):	
Bretton Parish Council	Manea Parish Council
Burnt Fen Internal Drainage Board	Middle Fen and Mere Internal Drainage Board
Burwell Parish Council	Middle Level Commissioners
Caldecote Parish Council	Newborough Parish Council
Cambourne Parish Council	North Level Internal Drainage Board
Chatteris Town Council	Old West Internal Drainage Board
Cheveley Parish Council	Orton Waterville Parish Council
City of Ely Council	Sawston Parish Council
Eye Parish Council	Soham Town Council
Farcet Parish Council	St Ives Town Council
Feldale Internal Drainage Board	St Neots Town Council
Gamlingay Parish Council	Sutton Parish Council
Haddenham Level Drainage Commissioners	Swaffham Internal Drainage Board
Haddenham Parish Council	Swavesey Parish Council
Histon and Impington Parish Council	Thorney Parish Council
Histon Parish Council	Tydd St Giles Parish Council
Holmewood and District Internal Drainage Board	Waterbeach Level Internal Drainage Board
Holywell-Cum Needingworth PC	Waterbeach Parish Council
Huntingdon Town Council	Whittlesey Internal Drainage Board
Kimbolton and Stonely Parish Council	Wimblington Parish Council
Linton Parish Council	Wisbech Town Council
Little Downham Parish Council	Witcham Parish Council
Little Paxton Parish Council	Yaxley Parish Council
Littleport and Downham Internal Drainage Board	
Admitted Bodies:	
Action for Children	Friends Therapeutic Community
ADeC	Greenwich Leisure
Advanced Cleaning Services - Weatheralls	Home Close Ltd
Advanced Cleaning Services -Burwell & Netherhall	Inclusion
Apollo Property Services	Innovate Services ltd
Avocet Cleaning Services	Kelsey Kerridge Sports Hall
Balfour Beatty	Luminus Group Limited
Cambridgeshire Mencap - Edmond House	Lunchtime UK (Waterbeach)
Cambridge Sports Lake Trust	Lunchtime UK Ltd
Cambridgeshire & Peterborough Clinical Commissioning Group	Mears Group Limited
Care Quality Commission	Mears Limited
Cater Link Ltd	Mitie PFI Limited

NOTES TO THE PENSION FUND ACCOUNTS

Circle Anglia Ltd	Oxford Archaeology (East)
Collections Trust	Pabulum Catering
Compass Contract Services	Pabulum Catering Ltd (Cottenham)
Conservators of the River Cam	Radis Community Care
Cross Keys Homes Ltd	Roddons Housing Association
Cucina Ltd	Sanctuary Group
Dell Corporation Ltd (Cromwell)	Serco Limited (ITNET)
Dell Corporation Ltd (Harry Smith)	Serco Limited (Peterborough)
Dell Corporation Ltd (Neale Wade & Thomas Clarkson)	Skanska
Drinksence	Spurgeons
East of England Local Government Association	St Columba Centre (Group Therapy)
Easy Clean (Fenstanton)	Stephen Perse Foundation
Easy Clean (St Peters)	Taylor Shaw Ltd (St Peters School)
Ecovert FM Ltd	Thorokleen Trading Ltd
Elior UK	Vivacity Peterborough Cultural &Leisure Trust
Enterprise Managed Services	Wisbech and Fenland Museum
Etheldred House	Wisbech Grammar School
Excelcare	
Employers whose active membership ceased during the financial year ending March 2014:	
Farmland Museum	Mepal Parish Council
Histon and Impington Recreation Ground	Metropolitan Support Trust
Home Meadow Ltd	Peterborough Council for Voluntary Service
Huntingdonshire Citizens Advice Board	Schools Direct (Sawtry Infants)
Impington Parish Council	Schools Direct (Sawtry Junior)
M & B Caterers Limited	Trojan Commercial
Employers with no active Members:	
Action for Children	Friends' Therapeutic Community
ADeC	Greenwich Leisure
Advanced Cleaning Services - Weatheralls	Home Close Limited
Advanced Cleaning Services -Burwell & Netherhall	Inclusion
Apollo Property Services	Innovate Services Limited
Avocet Cleaning Services	Kelsey Kerridge Sports Hall
Balfour Beatty	Luminus Group Limited
Cambridgeshire Mencap - Edmond House	Lunchtime UK Limited (Waterbeach)
Cambridge Sports Lake Trust	Lunchtime UK Limited (6 schools)
Cambridgeshire & Peterborough Clinical Commissioning Group	Mears Group PLC
Care Quality Commission	Mears Limited
Cater Link Limited	Mitie PFI Limited
Circle Anglia Limited	Oxford Archaeology (East)
Collections Trust	Pabulum Catering Limited (Swavesey)

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Compass Contract Services	Pabulum Catering Limited (Cottenham)
Conservators of the River Cam	Radis Community Care
Cross Keys Homes Limited	Roddons Housing Association
Cucina Ltd	Sanctuary Group
Dell Corporation Ltd (Cromwell)	Serco Limited (ITNET)
Dell Corporation Ltd (Harry Smith)	Serco Limited (Peterborough)
Dell Corporation Ltd (Neale Wade & Thomas Clarkson)	Skanska Limited
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Farmland Museum	Mepal Parish Council
Histon and Impington Recreation Ground	Metropolitan Support Trust
Home Meadow Limited	Peterborough Council for Voluntary Service
Huntingdonshire Citizens Advice Board	Schools Direct (Sawtry Infants)
Impington Parish Council	Schools Direct (Sawtry Junior)
M & B Caterers Limited	Trojan Commercial
Employers with no active Members:	
Aaron Services	Huntingdonshire PCT
Anglia H E College	Huntingdonshire Pre
APS Limited	Hunts Housing Partnership Limited
Arthur Mellows Village College	Hunts HP (db) (now Luminius)
Bassingbourne Village College	Impington Village College
Bottisham Village College	Isle College
Bowthorpe Centre Association	iTnet
Cambridge & County Folk Museum	Kimbolton School
Cambridge City Primary Care Trust	King's School
Cambridge Federation of Tenants	Littleport Par Cncl
Cambridge ITEC	Mepal Outdoor Centre
Cambridge Water Co	Methodists Homes
Cambridgeshire PCT	Milton Parish Council
Cambs and P'boro MHT	National Care Standards Comm
Cambs Assoc. of Local Councils	Neale Wade Comm College
Cambs Assoc. Soc. Welfare	Nene Valley Res Ctte
Cambs Career Guidance	North Peterborough PCT

NOTES TO THE PENSION FUND ACCOUNTS

Cambs College of Agriculture	Orton Family Centre
Cambs Institute of Education	Padnal and Waterden IDB
Cambs Magistrates Court Cttee	Perse School for Girls
Cambs Police Authority	Peterborough Comm Relations
Cambs Probation Service	Peterborough Development Corp
Cambs Soc for Blind	Peterborough PCT
Cambs Valuation Tribunal	Peterborough Pre88
Center 33	Peterborough Youth Stadium
Comberton Village College	Railway House Assoc
Commission for Social Care Inspection	Ramsey Town Council
Commissions East	Romsey Mill
Connexions	Sawston Village College (CCC)
Cresset	Sawtry Community College
Crime Reduction Initiatives	Sawtry Parish Council
Doddington Parish Council	Screen East
East Cambs and Fenland PCT	Soham Village College
East England Arts	Somersham Parish Council
Eastern Arts Board	South Cambridgeshire PCT
Ecovert TDA	Sport and Leisure Management
Edward and Blake	St Ivo School
Edward and Blake (Burwell)	St Martin's Day Care Centre
Ely Museum	St Neots Museum Limited
Fire Regional Control	Swavesey Village College
Fulbourn Parish Council	The Centre School (CCC)
Gamlingay Village College	The Hillings Limited
Girton Parish Council	The Queen's School
Hardwick Parish Council	Thomas Clarkson Comm College
Hereward Housing Assoc	Turning the Red Lights Green (Red2Green)
Homerton College	Westgate Project
Homerton School Health Studies	Whittlesey Fifth Internal Drainage Board
Huntingdon Godmanchester TC	Yaxley Internal Drainage Board

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.

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).

BARGAIN
Another name for a trade or transaction of the Stock Exchange.

GLOSSARY

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. [See also Non-current Assets].

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.

CASH EQUIVALENTS
Assets which are readily convertible into cash.

GLOSSARY

CLEAN PRICE
The price of a bond which is quoted without accrued 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.

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.

Cambridgeshire County Council

GLOSSARY

DEPRECIATION
The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

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.

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 SERVICES AUTHORITY (FSA)
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

GLOSSARY

Cambridgeshire County Council

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.

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.

Cambridgeshire County Council

GLOSSARY

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.

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 and Northamptonshire County Councils 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.

GLOSSARY

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.

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.

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.

GLOSSARY

Cambridgeshire County Council

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.

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.

GLOSSARY

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.

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.

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Cambridgeshire County Council

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, and which include 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 requires 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 2014 and up to the date of approval of the Annual Report and Statement of Accounts.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are:

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- 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;
- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication;
- Embedded Codes of Conduct which define the standards of behaviour for members and employees;
- Setting out within the Constitution, Schemes of Delegation to members and officers, Financial Procedure Rules and other supporting procedures of how decisions are taken and the processes and controls required to manage risk; and having in place arrangements 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 Listening and Involving 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;
- The County Council at its meeting of 21 May 2013 resolved to move from a Cabinet style of corporate governance to a committee based system of governance as a reflection that no one political party had a majority on the Council. The committee system of governance was developed following detailed discussions with Members and key officers and through external scrutiny and was introduced in May 2014. The Council is confident that the new governance arrangements provide the Council with the high standards of governance expected of a local authority. CIPFA/Solace guidance on governance recommends effective scrutiny of the decisions made by the Council. Under the committee system of governance,

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a separate scrutiny function is no longer necessary as decisions are being made by cross party committees. An internal review of the new governance arrangements will be undertaken in January 2015.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk Management's Annual Report, and also by 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 Governance Framework links closely to the Assurance Framework, which brings together the work of both internal review mechanisms and external review agencies, and is reviewed bi-annually by the Audit and Accounts Committee.

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 Council'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 Head of Internal Audit in Public Service Organisations;

- The Annual Report and Opinion on the Internal Control Environment prepared by the Head of Audit and Risk Management. This report draws upon the outcome of audit reviews undertaken throughout 2013-14 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.

The key aspects of the review of effectiveness are:

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.

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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 budget preparation process for 2014-15 was subject to robust challenge by councillors and involved extensive consultation with the people and businesses of Cambridgeshire.

Performance Management

The Council presents a corporate Integrated Resources and Performance Report to councillors on a monthly basis, which is available to the public on the Council's internet site, giving them an insight into the Council's overall performance.

Executive Decision Making and Scrutiny

During 2013-14 and up to 10 May 2014, the Cabinet was responsible for key decisions. The Cabinet met on a monthly basis and made decisions in line with the Council's overall policies and budget. The decisions of Cabinet were subject to scrutiny through Overview and Scrutiny Committees which met regularly during this year.

From 11 May up to the date covered by this Statement, executive decisions were made by one of the Council's five cross party 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.

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 2013-14, considering reports, including the annual Internal Audit Report, from the Head of Internal Audit and Risk Management, 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.

Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, and the Director of Adult and Children's Service were effectively fulfilled during 2013-14 and up to the date of this report.

Management

Executive 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 have provided assurance on the key elements of risk and control in their areas of responsibility.

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 Head of Internal Audit and Risk Management 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 Head of Internal Audit and Risk Management is due to provide his annual report to the Audit and Accounts Committee on 15 July 2014. This report will outline the key findings of the audit work undertaken during 2013-14 including areas of significant weakness in the internal control environment.

An assurance scoring mechanism, based on five levels of assurance, is used to reflect the effectiveness of the Council's internal control environment. The table below details the five levels of assurance.

Assurance Level	Assurance Criteria
Full	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate	Whilst there is basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system that leave some risks not addressed and there is evidence of non-compliance with some controls.
Limited	The system of control is weak and there is evidence of non-compliance with the controls that do exist, which may result in the relevant risks not being managed.
None	There is no system of internal control. Risks are not being managed.

It is the opinion of the Head of Internal Audit and Risk Management (IA&RM) that, taking into account all available evidence, the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2013-14 is between moderate and substantial. The detail to support this assessment will be provided in the Annual Internal Audit Report which will be presented to the Audit and Accounts Committee in July 2014.

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Review of Internal Audit

The Public Sector Internal Audit Standard was introduced from April 2013. A self-assessment of Internal Audit's compliance with this new Standard is due to be presented to the Audit and Accounts Committee in June 2014. This self-assessment identifies the need for a small number of enhancements which will be reflected in an Internal Audit Charter which will also be

presented to the Audit and Accounts Committee in June.

External Audit

PwC is currently the Council's appointed External Auditor. As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources. In its Annual Audit letter for 2012-13 PwC stated that the Council had proper arrangements for securing economy, effectiveness and efficiency in its use of resources.

Risk Management

The Council managed its risks during 2013-14 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 Cabinet and the Audit and Accounts Committee.

The Internal Audit Plan for 2014-15 presented to the Audit and Accounts Committee in March 2014 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 2014-15.

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.

Cambridgeshire continues to face very significant future challenges associated with a significant reduction in Central Government funding, particularly from 2016-17 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.

The Annual Governance Statement process allows the Council to identify any significant actions it is proposing to undertake to enhance its corporate governance arrangements. However there are no such actions requiring specific mention in the 2013-14 Annual Governance Statement.

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PROGRESS AGAINST ISSUES IDENTIFIED IN THE 2012-13 ANNUAL GOVERNANCE STATEMENT

The transfer of social care services for older people from Cambridgeshire Community Services to the Council was successfully implemented in October 2013.

The Council has implemented appropriate actions to manage governance and control related issues that have emerged during the 2013-14 financial year.

During 2013-14 the Council has continued to make made significant improvements in its Safeguarding Children's processes in accordance with Council's Improvement Plan. It is anticipated that these improvements will be subject to review by Ofsted in the near future in accordance with Ofsted's policy of unannounced visits.

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Cambridgeshire County Council

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/ Leader of the Council

Mark Lloyd
Chief Executive

September 2014