CAMBRIDGESHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2015-16

CONTENTS

CONTENTS

'Making Cambridgeshire a great place to call home'

OUR VISION AND AMBITION

The Council has seen a number of years of operating within a very constrained financial environment. As a result, the Council has had to make relatively tough decisions over service levels and charging for services during this period, and these decisions become even more challenging as we progress.

We have already made over £130m in savings over the last four years. 2016-17 will require us to find a further £40.9m, largely due to inflation and demographic pressures. To date we have balanced our finances while investing in areas our residents prioritise. We are now in a position of having to consider what might previously have been considered unthinkable. The choices are stark and unpalatable but these very difficult decisions will need to be made.

Our vision has remained the same – to make Cambridgeshire a great place to call home. Our ambition is for people in Cambridgeshire to live independently and safely within strong and inclusive communities and with networks of support that they can call on. We will support people when they need our most specialist and intensive services. The Council's priorities are:

- **Developing the local economy for the benefit of all**
- **Helping people live healthy and independent lives**
- **Supporting and protecting vulnerable people**

For more details about how we will achieve this through a number of key outcomes, please see the Council's *2016-17 Business Plan* at: Business Plan 2016 to 2017 - Cambridgeshire County Council

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

Performance against the 2015-16 Business Plan

The Council's 2015-16 Business Plan provided a summary of the County Council's long term vision for the Council, detailing the strategic prioritising and outlining the planned activity over the next five years to make Cambridgeshire a great place to call home. This was approved at Council on the 20th February 2015.

To monitor the Council's progress in delivering these priorities, a number of Key Performance Indicators (KPI) were agreed and the performance against these targets have been monitored through the year. In total, there were 92 KPI's agreed, with 18 of these chosen to represent the key indicators of success against the priorities and reported monthly to the General Purposes Committee.

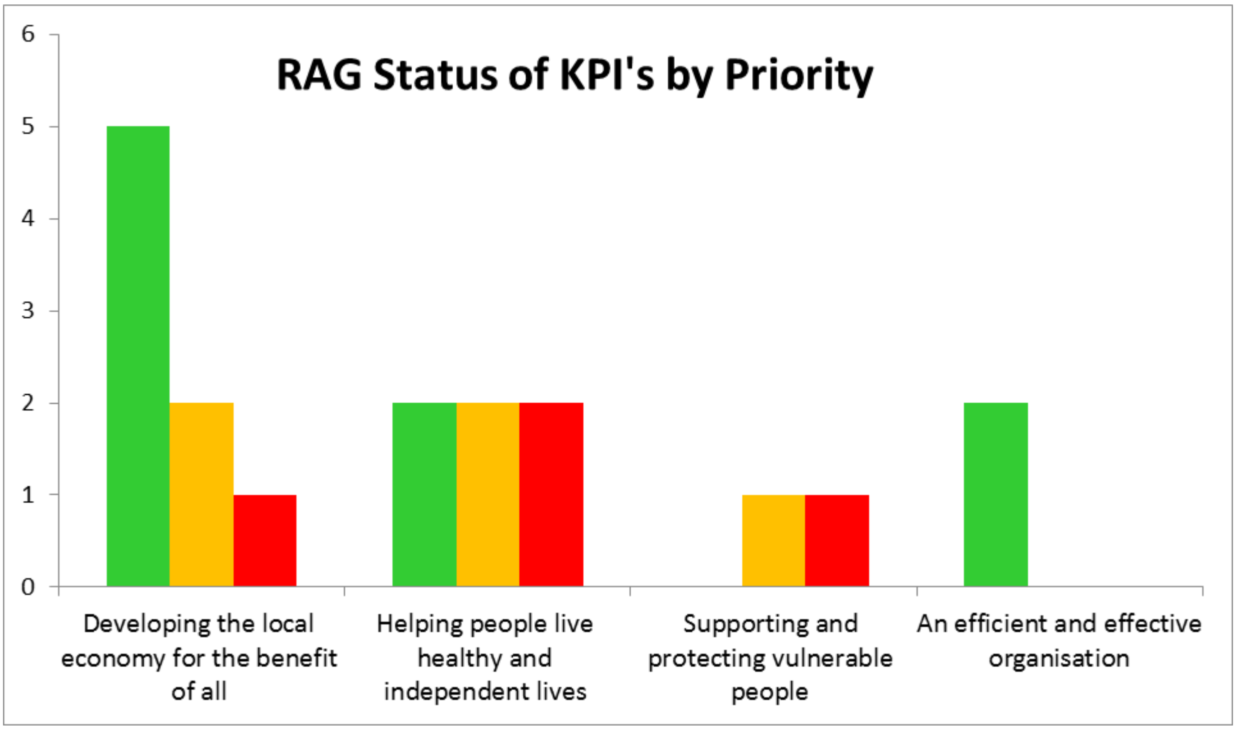
Achievement of the priorities is within the context of the challenging funding position for local authorities. Reducing Central government funding has challenged local authorities to become more efficient in order to deliver the outcomes it has prioritised and therefore there is a requirement for the Council to be an efficient and effective organisation to enable the delivery of the objectives and the services that it has planned to deliver within the business plan. Therefore progress against this aim is included within the performance reporting.

The following table provides a snapshot of the Authority's performance at year end by value and RAG (Red, Amber, Green) status, and was reported to the General Purposes Committee on 26 July 2016.

Area	Measure	Year End Position	Status
Revenue Budget	Variance (£m)	+£16.5m	Green
Basket Key Performance Indicators	Number at target (%)	50% (9 of 18)	Amber
Capital Programme	Variance (£m)	-£62.2m	Amber
Balance Sheet Health	Net borrowing activity (£m)	£348m	Green

As shown in the table above, two of the three key financial indicators have come in better than target, which will discussed as part of the narrative report below. However, for the basket of key performance indicators, 9 (50%) have been given a green rating, outlining confidence that the target has been met or will be delivered, with 5 (28%) being amber rated, and the remaining 4 (22%) being red rated.

The graph below show the performance against the KPI’s for each of the priorities identified within the business plan.



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

NARRATIVE REPORT

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 2016, and to summarise the overall financial position of the Council as at 31 March 2016. This section provides an overview of the financial performance of the Council, with supporting detail set out within the following sections:

- Statement of Responsibilities, Certificate and Approval of Accounts (pages 23-24)
- Core financial statements (pages 25-29)
- Notes to the core financial statements (pages 30-111)
- The Pension Fund accounts (pages 112-157)

The Council is required by the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the '*Code of Practice on Local Authority Accounting in the United Kingdom 2015-16'*, 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 compared 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 2015-16. The various sections, and their contents, are as follows:

Independent Auditors' Report to Members (page 22)
This reports the independent auditors' opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Council, its income, expenditure and cash flows for the year, the financial transactions of the Pension Fund, the amount and disposition of the Fund's assets and liabilities (other than liabilities to pay pensions), and other benefits that will arise after the end of the year.

Statement of Responsibilities, Certificate and Approval of Accounts (page 23)
This statement sets out the responsibilities of the Council and the Chief Finance Officer of the Council regarding the proper administration of the Council's finances.

Movement in Reserves Statement (page 25)
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. These movements 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 Balance before any discretionary transfers to, or from, earmarked reserves undertaken by the Council.

NARRATIVE REPORT

Comprehensive Income and Expenditure Statement (page 26)
This Statement is fundamental to the understanding of the Council's activities as it reports the net cost for the year of all of the functions for which the Council is responsible. It also demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Balance Sheet (page 27)
The Balance Sheet presents the value of the Council's current and non-current assets and liabilities recognised by the Council as at 31st March 2016 with the bottom line effectively being the net worth of the organisation. The net assets of the Council (assets less liabilities) are matched by the level of 'usable' and 'unusable' reserves held. Usable reserves are those resources that the Council may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. Unusable reserves include those that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences as shown by the 'adjustments between accounting basis and funding basis under regulations' line in the Movement in Reserves Statement.

Cash Flow Statement (page 28)
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 essential in the presentation of a true and fair view for the accounts. They present information about the basis of preparation of the financial statements and the specific accounting policies used; explain how transactions have been accounted for; and provide information that is not provided elsewhere in the financial statements, but is relevant to an understanding of them.

Pension Fund accounts (page 112)
The objective of the Pension Fund financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. The statements show the results of the stewardship of management; the accountability of management for the resources entrusted to it, and of the disposition of its assets at the year end. The Council administers this Fund on behalf of all local authorities in Cambridgeshire, plus a number of other public and voluntary bodies, and commercial organisations.

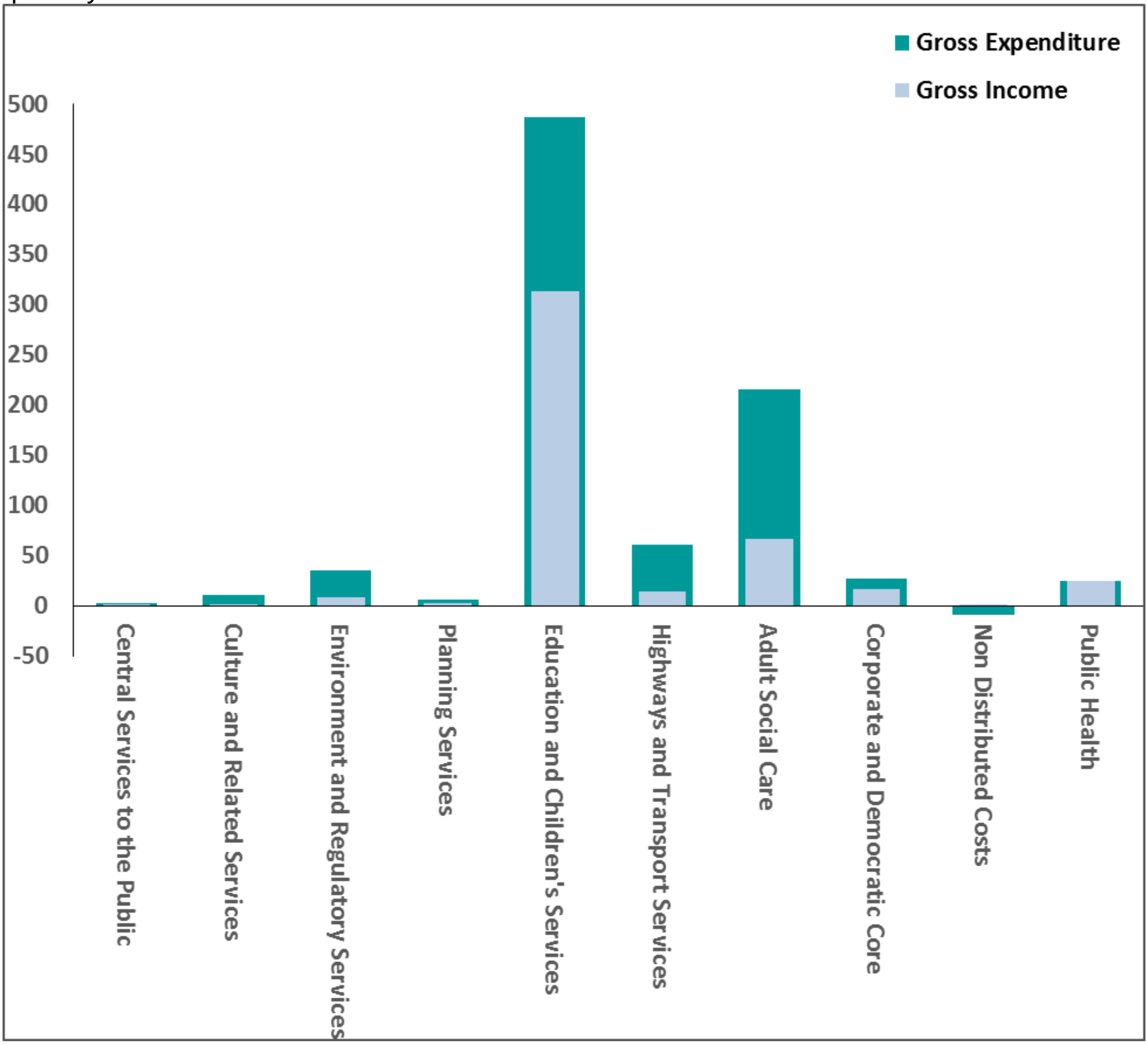
NARRATIVE REPORT

OVERVIEW OF THE YEAR

1. Revenue spending on services

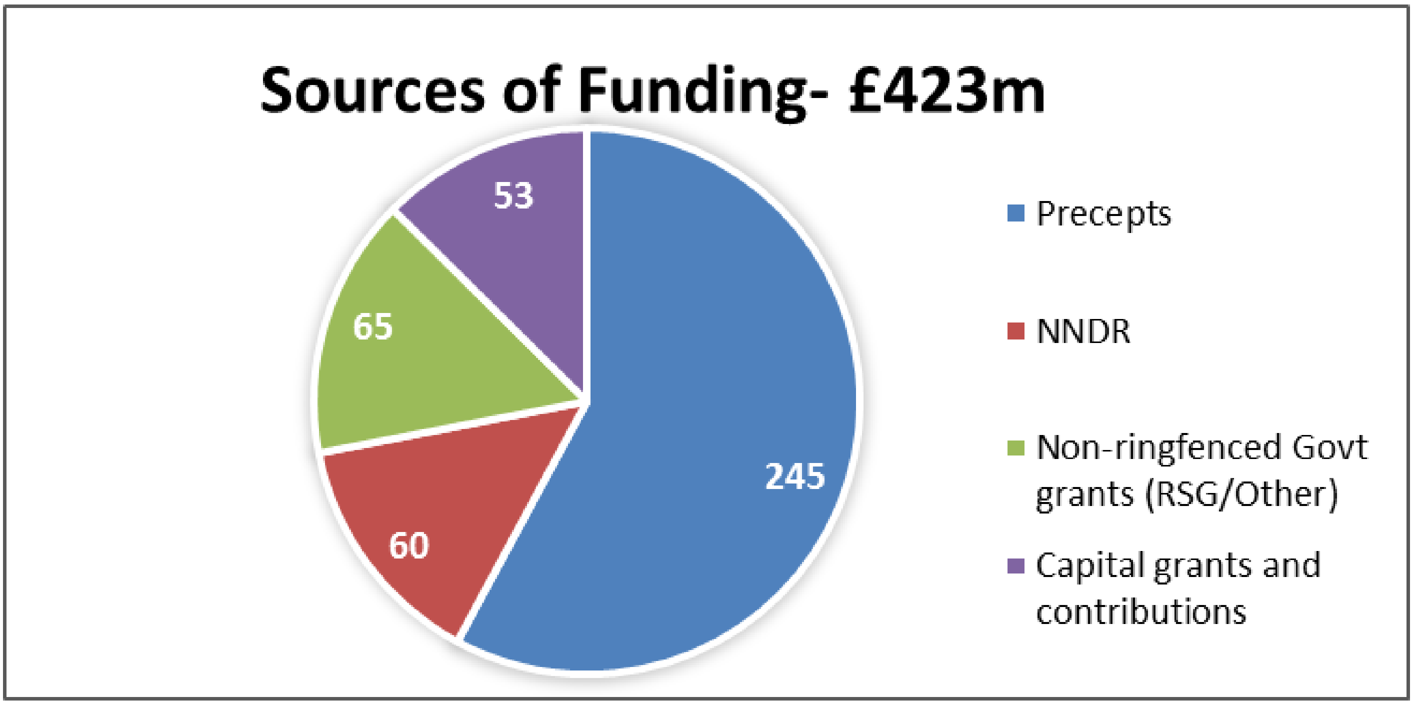
The Council's net cost of services for 2015-16 was £412.2m. This figure was £57.0m higher than the net expenditure for the year of £355.2m that was reported to the General Purposes Committee within the Outturn Integrated Resources and Performance Report in May 2016. The reason for this is that the Statement of Accounts is prepared on a different accounting basis to those reports presented to members for resource allocation decisions. (The Statement of Accounts takes account of charges for items such as capital expenditure and variations in the accounting for retirement benefits. Tables which summarise these results are shown in note 24.)

The chart below is based on the net cost of services of £412.2m and outlines how much we spent by service area:



NARRATIVE REPORT

The Council's net budget is mainly financed through council tax, business rates and government grant, and totals £423m as shown below:



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

- **Non-Domestic Rates** are collected from businesses on behalf of the Council by billing authorities. A proportion is then received directly from those billing authorities, with a further proportion received and pooled by Central Government and then redistributed to councils on a formula basis.

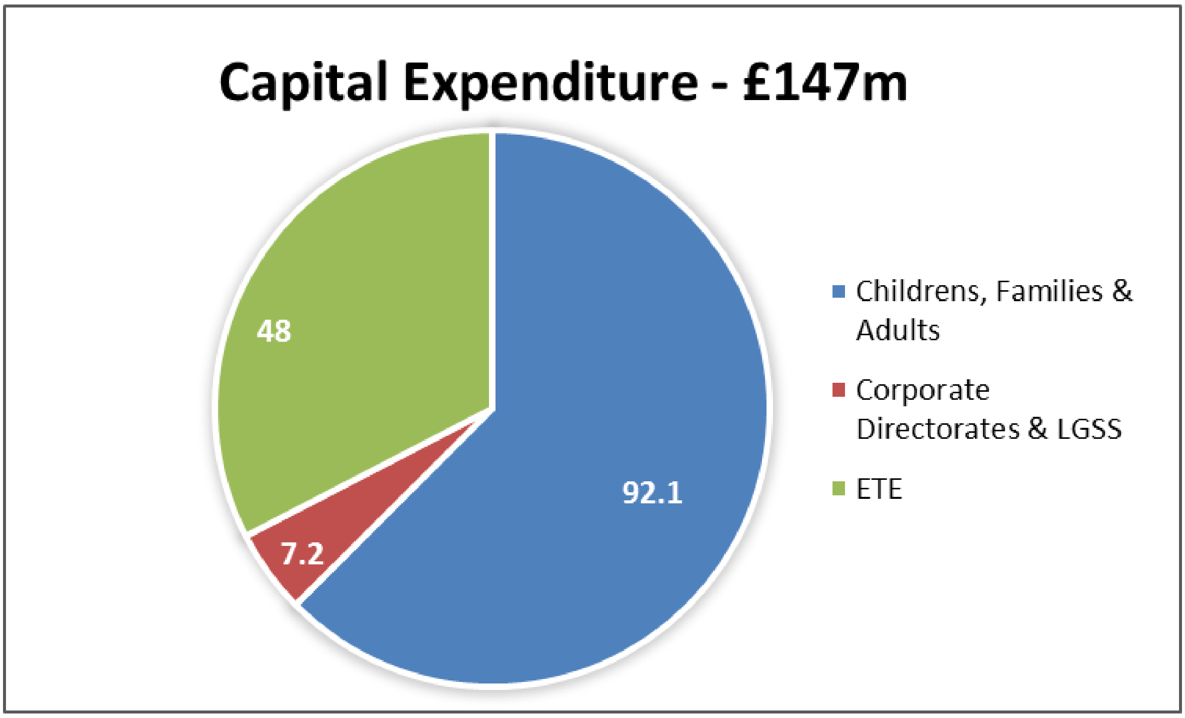
The Council's gross income also includes specific government grants, charges from fees, income from sales, and partnership funding from other public sector bodies. The scale of this income is outlined in the Comprehensive Income and Expenditure Statement.

2. Capital spending and financing

The Council's adjusted capital budget for the year was £209.5m. Actual capital expenditure financed from capital resources for the year was £147.3m, leaving some £62.2m of the adjusted capital budget unspent at the year end. However, it must be noted that this was largely due to the timing of spending and does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not occurred as quickly as anticipated.

NARRATIVE REPORT

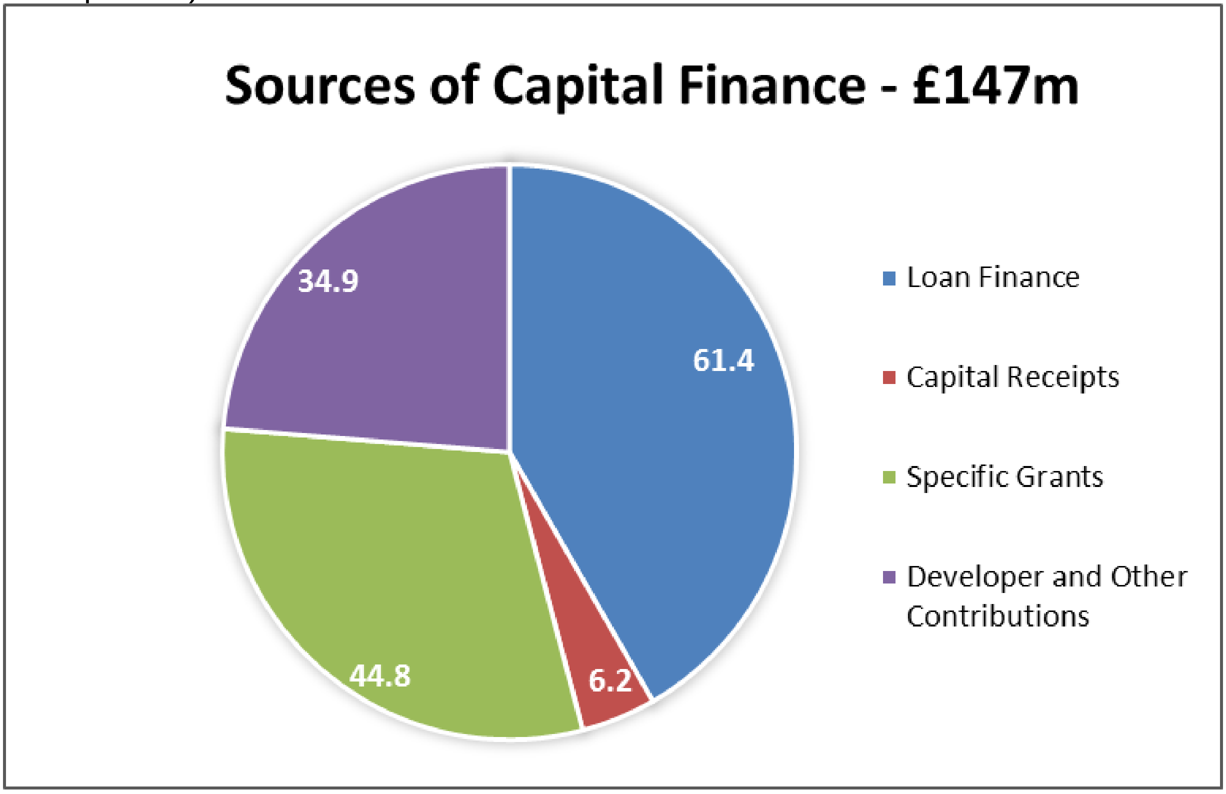
The chart below outlines the £147.3m investments made during the financial year (in millions of pounds):



The cost of borrowing has been factored into the 2015-16 debt charges outturn position, as well as being accounted for within the 2016-17 Business Planning process.

NARRATIVE REPORT

The following chart outlines how the £147.3m capital expenditure was financed this year (in millions of pounds):



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

3. Reserves

The Council's total reserves have increased in-year by £76.6m, to £734.9m, by 31 March 2016. This balance comprises £104.1m (14%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £630.8m (86%) of 'unusable' reserves (those that an authority is not able to utilise to provide services). The usable reserves have increased in-year by £16.2m from £87.9m to £104.1m (see Movement in Reserves Statement and note 22) and the unusable reserves have increased in-year by £60.4m from £570.4m to £630.8m (see note 23).

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 2016, these reserves stood at £85.6m. Of this balance, the General Fund comprised £18.9m (4.5% of the net 2015-16 budget) and reserves earmarked for specific purposes totalled £66.7m, including £20.6m under the control of locally managed schools, an £11.9m transformation fund which will be used for proposals to generate further savings in future years, and £2.9m to cover insurance risks.

NARRATIVE REPORT

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

General Fund and Earmarked Reserves	£m
Balance at 1st April 2015	70.6
Transformation Fund	11.9
General Fund	2.9
Other Earmarked Reserves	0.2
Balance at 31st March 2016	85.6

4. Assets and liabilities

The Council's cash and cash equivalents position reduced in the year by £36.4m from £37.5m at 31 March 2015 to £1.1m at 31 March 2016. The £1.1m balance at 31 March 2016 reflected the reduction in borrowing of £23m, from £382.7m to £359.7m at 31 March 2016. (However, it should be noted that this does not represent the actual balance on the Council's accounts at the bank, but the book balance taking timing differences into account.)

In terms of liabilities, there was a £21.9m increase in capital grants and contributions receipts in advance from £42.8m at 31 March 2015 to £64.7m at 31 March 2016. This was primarily due to City Deal funding of £17.8m.

During 2015-16, the net assets of the Council, and therefore its Balance Sheet value, increased by £76.6m (11.6% increase) from an opening balance of £658.3m to a closing balance of £734.9m at 31 March 2016. The material items which caused this net increase were a £25.2m increase in the net book value of the Council's property assets, in the main due to additions of £107m offset by £85m retirements, and a £21.3m long term finance lease receivable. There was also a decrease of £80m in the estimated pension deficit for the Council, measured on an actuarial basis, from £559m at 1 April 2015 to £479m at 31 March 2016.

5. External borrowing and investment

Total debt outstanding at 31 March 2016 was £359.7m (consisting of £356.3m long term borrowing and £3.4m short term borrowing), which was well within the maximum limit determined in accordance with legislation of £660m. There was a net increase of £115k in long-term loans in the year and a net decrease of £23.1m in short term loans.

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

NARRATIVE REPORT

KEY PROJECTS AND ACTIVITIES

Academy Conversions

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

As at 1 April 2016, a total of 74 schools had either opened as academies (including free schools) or converted to academy status. This is an increase of 6 conversions/free schools (plus 2 new schools) on 2014-15 numbers. There are now 165 Primaries, 6 special schools, 6 nurseries, 2 Pupil Referral Units, and one secondary school in Cambridgeshire with ‘grant maintained’ status.

Although 180 schools remain ‘grant maintained’ by the Council, the conversion of schools in 2015-16 means a sizeable proportion of school spending, assets and workforce is no longer reported as part of the Council's accounts.

Academies produce their own financial statements.

School Building and Improvements

Alconbury Weald – Ermine Street Primary Academy

Based on the educational need of the Alconbury Weald development, a new build Primary School is required to meet the anticipated demand generated by the housing development.

The Phase 1 element of the works is to provide a two form entry primary school with, three form entry core facilities that can accommodate 420 students. There is an additional 52 place nursery unit that is integrated in the main school building. The total overall project cost is £10.2m.

The second phase will include a classroom block extension that has been designed as part of the approved planning application to allow expansion to the full three form entry school, accommodating 630 students.

Littleport Community College

In response to increased demand for school places in the Littleport area and the fact that schools in Ely are nearing capacity there is a strategic need to provide a new education campus in Littleport.

A site masterplan has been developed to locate a 4 form entry Secondary school (with ability to be extended to 5 form entries), a 1 form entry Primary school, and a pre-school on the same site. Additionally, the site has been identified as a location for a 110 place special school that will cater for Cambridgeshire as a whole.

NARRATIVE REPORT

Co-location should offer efficient delivery of education and in co-locating with a Special School there are opportunities to promote more integration of SEN pupils into mainstream schooling. Co-locating with the sports centre provides a truly community centred campus that aligns with the Village College concept.

The scheme will be developed in 2 phases with the second phase being the provision of the Primary School.

The total project value of phase 1 which includes the Secondary and Special schools is £41.5m. Work commenced on 4th January this year with the completion date set to allow for pupils to start the new autumn term of 2017.

Connecting Cambridgeshire

Connecting Cambridgeshire is improving the County's fixed and mobile broadband infrastructure, whilst supporting online skills, business growth and technological innovation to meet future digital challenges. The wider programme brings together a range of partnership projects supported by Government and European funding.

The first phase of the fibre broadband rollout was successfully completed by the end of 2015, reaching more than 97,000 premises across Cambridgeshire and Peterborough. Speed uplift in many areas has been significant and take-up of new fibre services is well above the national average.

Plans are in place to deliver a second phase of infrastructure roll-out to 2017 to extend fibre broadband coverage. This will be supported with up to £3m additional Government and EU funding.

Free WiFi has been launched in more than 120 public buildings across the county and over 2000 businesses have been helped to improve digital connectivity with additional Government and European funding.

connecting CAMBRIDGESHIRE
Superfast broadband across Cambridgeshire & Peterborough

Cambridge North Station

This new station will serve the north of Cambridge and have direct trains to London, Ely, Peterborough and Norwich.

NARRATIVE REPORT

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. The Government confirmed the funding for the Station in the 2014 Autumn Statement.

Construction work is underway and the station is planned to open in May 2017.
The Government also provided the Council with a £6m grant in 2014-15 for access works including the extension of the Busway and cycle and footway links to the station. This was completed in July 2015 and, although the Busway extension will not come into use until the station is completed, the sections of the cycle path linking Nuffield Road to Milton Road have been brought into use.

Cambridge City Deal

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

- Creating an infrastructure investment fund that includes a payment-by-results mechanism to unlock up to £500 million in capital funding from Government;
- Accelerating delivery of 33,480 planned homes;
- Enabling the delivery of 1,000 extra new homes on rural exception sites;
- Delivering over 400 new apprenticeships in key growth sectors for young people;

NARRATIVE REPORT

- Providing an estimated £1 billion local and national public sector investment (including local capital expenditure and developer contributions, etc.), enabling an estimated £4 billion of private sector investment in Greater Cambridge;
- Underpinning the creation of 45,000 new jobs;
- Creating a governance arrangement for joint decision-making between the local Councils.

The City Deal represents a step change in the ability of local partners to deliver the infrastructure necessary to support the area's ambitious growth plans. Greater Cambridge will receive a confirmed £100 million from Government for infrastructure investment, to be paid in equal instalments from 2015-16 to 2019-20. This scale of investment will enable a strategy that enhances the transport network to link areas of population and employment within the city-region, through high quality public transport, cycling and pedestrian improvements. It will transform connectivity within Greater Cambridge and around the wider county and Local Enterprise Partnership area. Depending on the economic impact of local investments, Greater Cambridge will be able to access up to an additional £400 million over the following 10 years, in two tranches of £200 million. This complements and sits alongside existing capital expenditure plans in the area.

Below is the list of City Deal projects although the individual budgets will move up or down within the overall resources available depending on the options taken forward and the outcome of consultation. In addition to the City Deal grant the funding also reflects New Homes Bonus and estimated Section 106 / Community Infrastructure Levy receipts.

PROJECT	**Total Cost £000**
Years 1-5 Delivery	
Milton Road bus priority	23,040
Histon Road bus priority	4,280
A428 to M11 segregated bus route/A428 corridor Park & Ride/Madingley Road bus priority	59,040
Cross-city cycle improvements	4,000
City centre capacity improvements	3,000
A1307 corridor to include bus priority / A1307 additional Park & Ride	39,000
Chisholm Trail cycle links	8,400
Programme management and early scheme development	15,000
Western Orbital	5,900
A10 North study	2,600
	164,260

For further details please visit www.greatercambridgecitydeal.co.uk.

NARRATIVE REPORT

Assets and Investments

At the full Council meeting on 10th May 2016, Members approved a change to the Council's Constitution to establish an Assets and Investment Committee to deliver effective governance and management of the Council's property and asset portfolio. This is driven by a number of major programmes that are supporting the delivery of the Council's overall objectives. These include the Property Rationalisation Programme, the Housing Development Programme (including the work of the Housing Development Agency), the Community Resilience Programme, the Transformation Programme, the Making Assets Count Programme, the emerging Older Persons' Accommodation Strategy, and other service-led initiatives involving property.

Transfer of Reablement and Assistive Technology workforce

In April 2015, the Council began direct delivery of Reablement and Assistive Technology services. (This includes devices such as fall detectors and medication reminders, to help enhance people's independence in their own home without the need for long term care.) With a budget of £6.8m, this involved the transfer of 281 staff from the NHS to the Council on 1 April. These teams work with adults on a focused, short-term basis to maximise their independence.

Reablement and Assistive Technology play a key role in the Council's demand management strategy for adult social care; cost reductions in the delivery of the service itself have also been realised.

Supporting former Independent Living fund clients

The government closed the independent living fund on 30 June 2015, and responsibility for supporting ILF service users passed over to local authorities from July.

In Cambridgeshire there were 82 ILF service users when the fund was closed, and £1.04m was received from central government to reflect the new role for local authorities in supporting these people for the final nine months of 2015/16.

Care Act Legislation comes into effect from April 2015

Major reform of the legislative framework governing the care and support of adults came into effect from April with the enactment of key provision of the Care Act.

Cambridgeshire reformed its support for carers; arrangements for deferred payments, levying interest on this type of client contribution for the first time; expanded social work and occupational therapy capacity and took up a new role in supporting prisoners with Care Needs. This was supported by funding from government and as part of the local Better Care Fund.

NARRATIVE REPORT

Public Health

On 1 October 2015, the move of public health responsibilities to local government was completed through the transfer of responsibility from NHS England to upper tier local authorities, for commissioning public health services for children aged 0-5. The two main services involved are the health visiting service and the 'family nurse partnership' service for vulnerable teenage mothers, both of which are currently provided through contracts with Cambridgeshire Community Services NHS Trust.

Ely Southern Bypass

The Ely southern bypass is a proposed new road connecting the A142 at Angel Drove to Stuntney Causeway, including bridges over the railway line and the River Great Ouse and its floodplains. The image below shows the location of the new bypass in green. In addition to the existing Local Transport Body allocation of £6 million, it has been confirmed that Growth Deal funding of £16 million will be directed to the scheme, subject to ministerial approval of a Major Scheme Business Case. This is currently being considered by Department of Transport officers.

The process is expected to be completed at the end of June 2016 with the contract being awarded in July 2016. It is anticipated that the earliest delivery of the scheme will be at the end of 2017.

Pensions

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

The estimated pension deficit for the Council, measured on an actuarial basis, has decreased from £559m at 1 April 2015 to £479m at 31 March 2016. The fair value of plan assets decreased during 2015-16; however this has been more than offset by a reduction in the value of the Fund's liabilities. Overall this has resulted in an £80m decrease in the deficit amount (see note 37). This deficit will be managed by increased employer contributions over the remaining working life of employees, as assessed by the actuary following the next valuation.

NARRATIVE REPORT

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.

The LGSS overall performance for 2015-16 is summarised below:

	2015-16 Budget £000	2015-16 Expenditure £000	2015-16 Variance £000
Total	**25,033**	**24,829**	**(204)**

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 32 for further information.

FUTURE CHALLENGES

Looking forward, cost pressures are forecast to outstrip available resources. This is because the rising costs caused by inflation, growth and associated demographic pressures combine with 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 will require the making of 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 are now in an environment where any remaining efficiencies to be made are likely to be minimal. We must accept therefore that more and more of the budget challenge will be met through service reductions.

NARRATIVE REPORT

The following table illustrates the current size of the challenge that lies ahead (as presented to Council on the 16 February 2016), as it sets out the latest annual savings requirement:

	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	Total £000
Total Savings Requirement For The Year	**40,934**	**33,643**	**21,403**	**17,076**	**10,615**	**123,671**
2015-16 Ongoing Savings		40,934	40,934	40,934	40,934	
2016-17 Ongoing Savings			33,643	33,643	33,643	
2017-18 Ongoing Savings				21,403	21,403	
2018-19 Ongoing Savings					17,076	
Total Savings For The Year (Including Ongoing Savings)		**74,577**	**95,980**	**113,056**	**123,671**	
Cumulative Savings Requirement	**40,934**	**115,511**	**211,491**	**324,547**	**448,218**	

CONCLUSION

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

Chris Malyon
Chief Finance Officer (Section 151 Officer)

FURTHER INFORMATION

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

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

Telephone: 0345 045 5200

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

INDEPENDENT AUDITORS' REPORT

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

This page is intentionally left blank

Cambridgeshire County Council

STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

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

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

The Chief Finance Officer also has to have:

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

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2016 and its income and expenditure for the year 2015-16, and authorise the accounts for issue.

Chris Malyon
Chief Finance Officer

Date:

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 20th September 2016.

Signed on behalf of
Cambridgeshire County Council:

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

MOVEMENT IN RESERVES STATEMENT

	General Fund £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves Total £000	Unusable Reserves Total £000	Reserves Total £000
Balance at 1-Apr-14	**12,336**	**54,053**	**1,439**	**14,802**	**82,630**	**515,389**	**598,019**
Movement in 2014-15:							
Deficit on the provision of services	-7,229	-	-	-	**-7,229**	**-**	**-7,229**
Other comprehensive income and expenditure	-	-	-	-	**-**	**67,535**	**67,535**
Total comprehensive income and expenditure	-7,229	-	-	-	**-7,229**	**67,535**	**60,306**
Adjustments between accounting and funding basis under regulations (note 6)	11,489	-	-	1,048	**12,537**	**-12,537**	**-**
Increase/ decrease (-) before transfers to earmarked reserves	4,260	-	-	1,048	**5,308**	**54,998**	**60,306**
Transfers to earmarked reserves (note 7)	-595	595	-	-	**-**	**-**	**-**
Increase/ decrease (-) in 2014-15	**3,665**	**595**	**-**	**1,048**	**5,308**	**54,998**	**60,306**
Balance at 31-Mar-15	**16,001**	**54,648**	**1,439**	**15,850**	**87,938**	**570,387**	**658,325**
Movement in 2015-16:							
Deficit on the provision of services	-91,115	-	-	-	**-91,115**	**-**	**-91,115**
Other comprehensive income and expenditure		-	-	-	**-**	**167,697**	**167,697**
Total comprehensive income and expenditure	-91,115	**-**	**-**	**-**	**-91,115**	**167,697**	**76,582**
Adjustments between accounting and funding basis under regulations (note 6)	106,063	-	-1,439	2,650	**107,274**	**-107,274**	**-**
Increase before transfers to earmarked reserves	14,948	**-**	-1,439	2,650	**16,159**	**60,423**	**76,582**
Transfers to earmarked reserves (note 7)	-12,028	12,028	-	-	**-**	**-**	**-**
Increase/ decrease (-) in 2015-16	**2,920**	**12,028**	**-1,439**	**2,650**	**16,159**	**60,423**	**76,582**
Balance at 31-Mar-16	**18,921**	**66,676**	**0**	**18,500**	**104,097**	**630,810**	**734,907**

This statement shows the reserves held by the Council, analysed into ‘usable’ and ‘unusable’. The ‘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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014-15 Gross Expenditure £000	2014-15 Gross Income £000	2014-15 Net Expenditure/ Income (-) £000		2015-16 Gross Expenditure £000	2015-16 Gross Income £000	2015-16 Net Expenditure/ Income (-) £000
3,546	-1,325	**2,221**	Central services to the public	2,525	-1,715	**810**
11,089	-1,209	**9,880**	Culture and related services	11,204	-1,170	**10,034**
30,629	-8,847	**21,782**	Environment and regulatory services	35,133	-8,589	**26,544**
6,487	-3,140	**3,347**	Planning services	5,775	-2,671	**3,104**
413,211	-310,658	**102,553**	Education and children's services	486,592	-313,280	**173,312**
60,431	-15,896	**44,535**	Highways and transport services	61,226	-13,970	**47,256**
206,174	-57,681	**148,493**	Adult social care	215,532	-66,991	**148,541**
26,459	-16,655	**9,804**	Corporate and democratic core	27,555	-16,159	**11,396**
-1,152	-188	**-1,340**	Non distributed costs	-8,660	-184	**-8,844**
20,453	-20,453	**-**	Public Health	24,643	-24,643	**-**
777,327	**-436,052**	**341,275**	**Cost Of Services**	**861,525**	**-449,372**	**412,153**
16,308	-	**16,308**	Other operating expenditure (note 8)	59,570	-	**59,570**
43,557	-1,144	**42,413**	Financing and investment income/ expenditure (note 9)	43,389	-544	**42,845**
-	-392,767	**-392,767**	Taxation and Non-Specific Grant Income (note 10)	-	-423,452	**-423,452**
		7,229	**Surplus (-) or Deficit on Provision of Services**			**91,116**
		-170,107	Surplus on revaluation of long-term assets			**-72,459**
		2,351	Impairment and revaluation losses charged to the Revaluation Reserve			**4,024**
		100,221	Remeasurement of net defined benefit/ liability			**-99,262**
		-67,535	**Other Comprehensive Income and Expenditure**			**-167,697**
		-60,306	**Total Comprehensive Income and Expenditure**			**-76,581**

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

BALANCE SHEET AS AT 31 MARCH 2016

31-Mar-15 £000		Note	31-Mar-16 £000
1,737,899	Property, Plant and Equipment	11	1,760,925
20,716	Heritage Assets	12	20,717
-	Investment Property	15	2,658
-	Long Term Investments		400
3,139	Long Term Debtors	13	25,598
1,761,754	**Long Term Assets**		**1,810,298**
50	Investments		0
1,098	Assets Held for Sale		614
671	Inventories		951
65,508	Short Term Debtors	17	53,593
37,724	Cash and Cash Equivalents	18	1,064
105,051	**Current Assets**		**56,222**
-262	Cash and Cash Equivalents	18	0
-26,557	Short Term Borrowing	14	-3,428
-102,196	Short Term Creditors	19	-97,669
-6,172	Provisions	20	-5,657
-29,864	Capital Grants and Contributions Receipts in Advance	31	-22,659
-165,051	**Current Liabilities**		**-129,413**
-3,612	Provisions	20	-3,613
-356,190	Long Term Borrowing	14	-356,305
-670,652	Other Long Term Liabilities	21	-600,257
-12,975	Capital Grants and Contributions Receipts in Advance	31	-42,024
-1,043,429	**Long Term Liabilities**		**-1,002,199**
658,325	**Net Assets**		**734,908**
87,938	Usable Reserves	22	104,098
570,387	Unusable Reserves	23	630,810
658,325	**Total Reserves**		**734,908**

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:
The notes on pages 30 to 111 form part of the financial statements.

CASH FLOW STATEMENT

2014-15 £000		2015-16 £000
7,229	**Net deficit on the provision of services**	**91,116**
-38,985	Depreciation	**-39,389**
34,252	Impairment and downward valuations	**4,516**
-739	Increase in impairment for bad debts	**450**
-3,907	Increase (-)/ decrease in creditors	**21,950**
17,919	Increase/ decrease (-) in debtors	**10,094**
-65	Increase/ decrease (-) in inventories	**280**
21,248	Movement in pension liability	**-19,444**
-21,284	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	**-85,213**
-7,816	Other non-cash items charged to the deficit on the provision of services	**-29,898**
623	**Adjustments to the net deficit on the provision of services for non-cash movements:**	**-136,654**
5,349	Proceeds from the sale of property, plant and equipment	**-16,582**
-5,431	Any other items for which the cash effects are investing or financing cash flows	**43,129**
-82	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**26,547**
7,770	**Net cash flows from Operating Activities**	**-18,991**
51,076	Purchase of property, plant and equipment	**107,473**
50	Purchase of short-term and long-term investments	**750**
-	Proceeds from short-term and long-term investments	**-400**
-5,349	Proceeds from the sale of property, plant and equipment	**16,582**
-38,973	Other receipts from investing activities	**-82,395**
6,804	**Investing Activities**	**42,010**
-26,705	Cash receipts of short and long-term borrowing	**-31,626**
-9,680	Other receipts from financing activities	**-9,632**
1	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	**-1**
26,597	Repayments of short and long-term borrowing	**54,640**
-9,787	**Financing Activities**	**13,381**
4,787	**Net increase (-)/ decrease in cash and cash equivalents**	**36,400**
42,249	Cash and cash equivalents at the beginning of the reporting year	**37,462**
37,462	**Cash and cash equivalents at the end of the reporting year (note 18)**	**1,062**

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

CASH FLOW STATEMENT

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 2015-16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2015-16*and the *Service Reporting Code of Practice 2015-16 (SeRCOP)*, supported by *International Financial Reporting Standards (IFRS).* The accounts are prepared on a historical cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of certain categories of property, plant and equipment. The accounting policies have been consistently applied where appropriate.

BASIS OF ACCOUNTING

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

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

ACCRUALS OF INCOME AND EXPENDITURE

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Recognition

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

The assets of local authority maintained schools are recognised in the Council's financial statements, subject to the usual accounting requirements for long-term assets. Therefore, if there are any specific arrangements in place whereby the control of the asset does not lie with the local authority, then the asset will not be recognised. The Council reviews all schools on an individual basis to determine where the control lies; at present, all community schools are held within the Council's Balance Sheet, whereas all academy schools are not. The Council transfers academy school assets on a 125-year lease, and as such they are subject to lessor finance lease policies (see leases policy, pages 40-42). Long-term assets of foundation schools governed by a separate trust with no local authority control present are not consolidated, along with the long-term assets of most voluntary aided and voluntary controlled schools. This is due to the legislation contained within the School Standards and Framework Act 1998, as amended, that stipulates all non-playing field land shall be transferred by the local authority to the relevant

NOTES TO THE CORE FINANCIAL STATEMENTS

diocese or trust. Only where there are specific lease, or other arrangements in place, does the Council hold the assets of these schools on the Council's Balance Sheet.

Measurement

The Council carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at current value is reviewed at least every five years. In order to ensure that values are kept in line with fair current, in the interim the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. This analysis requires assessment of when an asset was revalued and application of an index to it based on Building Cost Information Service (BCIS) forecasts and land value estimations for every year since the asset was last revalued. Assets contained within Property, Plant and Equipment required to be measure at fair value are revalued every year. The effective date of all revaluations is 1 April at the commencement of the year in question, however assets are adjusted for indexation between 1 April and 31 March as part of the material misstatement analysis.

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

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

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

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

Depreciation

Land is held at current value and not depreciated. Property, Plant and Equipment assets other than land, are depreciated over their useful economic lives using the straight-line method. An exception is made regarding deprecation 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

NOTES TO THE CORE FINANCIAL STATEMENTS

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

CAPITAL ACCOUNTING

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

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

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

The above accounts are not available to fund future expenditure.

CAPITAL RECEIPTS

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

CHARGES TO REVENUE FOR LONG-TERM ASSETS

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

- Depreciation attributable to the assets used by the relevant service (as per the Depreciation policy on page 32);
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible long-term assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses, or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (see the Debt Redemption policy on page 45). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

HERITAGE ASSETS

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 indefinite lives, but impairment reviews are carried out where there is physical deterioration or if new doubts as to the authenticity of the Heritage Asset exist.

INVESTMENT PROPERTIES

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

FINANCIAL LIABILITIES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

FINANCIAL ASSETS

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

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

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the ‘Financing and investment income and expenditure’ line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

GOVERNMENT GRANTS

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

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

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

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

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

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

COUNCIL TAX

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

- Current value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability calculated by applying the implicit interest rate in the lease to the opening lease liability for the year. This is debited to the 'Financing and investment income and expenditure' line;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the 'Financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement;
- Payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator;

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.(Further detail on the PFI contracts is given in the PFI note, note 35.)

LEASES

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

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

- **Council as Lessee**

Finance leases

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Operating leases

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

Council as Lessor

Finance leases

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

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

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

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

CASH AND CASH EQUIVALENTS

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

POST EMPLOYMENT BENEFITS

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

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

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

The Teachers' Pension Scheme
The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined

NOTES TO THE CORE FINANCIAL STATEMENTS

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 4.3% (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;
- The change in the net pension liability is analysed into service cost and remeasurement components.

  Service Cost elements comprise:

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

  Remeasurements comprise:

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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 2015-16*. Where the level of service is under the control of the Service Director, a specific 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 will be subject to MRP charges based on the estimated useful life of the assets created.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Code of Practice on Local Council Accounting in the United Kingdom 2016-17 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016, however no standards issued but not yet adopted are expected to have a material impact.

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:

- Property valuations are provided by component on a rolling programme every five years by a combination of internal and independent external valuers, with moderation undertaken by the Council's internal valuers. In order to validate use of the rolling programme to undertake valuations, the Council performs an annual exercise to determine whether there is any material misstatement in the overall asset portfolio. If it is concluded that there is a material misstatement, then the revaluations will be brought up to date either by revaluation or by use of indices. All valuations are prepared in accordance with the Council's accounting policy (see 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 currently has 3 PFI contracts with private sector partners. These are as follows:

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

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2016 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	Asset valuations are completed on a 5 year rolling basis and values are reviewed annually to ensure they are not materially misstated.	In order to ensure that carrying values are kept in line with fair values in the interim, the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. This involves an indexation analysis that assesses when a depreciated replacement cost (DRC) asset was last revalued and applies an index to it based on Building Cost Information Service (BCIS) forecasts and land value calculations for every year since it was last revalued.In 2015-16 the Council's assets were increased by £33.6m as a result of this exercise; however it was estimated that this adjustment would have been £19m higher, if the indices used had been 1% higher for each year of the 5 year rolling programme.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the pension's liability of changes in individual assumptions can be measured. For instance: • 1 year increase in member life expectancy would result in an increase in the liability of approximately £38m (3%); • 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £132m (10%); and • 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £97m (8%). However, the various assumptions interact in complex ways. During 2015-16, the Council's actuaries advised that the net pension liability had decreased by £80m, as a result of an increase in liabilities of £96m, and an offsetting decrease in asset values of £16m. This is due to financial assumptions being more favourable at the 31 March 2016 than they were at the 31 March 2015, contrasted by higher actual investment return on funds

NOTES TO THE CORE FINANCIAL STATEMENTS

5. EVENTS AFTER THE BALANCE SHEET DATE

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

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

‘Non-adjusting’ Events After The Balance Sheet Date

Schools converting to Academy status

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

A further 8 schools have, or are expected to open or convert to Academy status before the 31 March 2017, with further new schools opening and conversions expected to take place in future years. By the end of the 2016/17 financial year, it is expected that local authority maintained schools with a current net book value totalling £13.0m will have converted to Academy status since the Balance Sheet date, in addition to a further transfer of £15.3m of Assets Under Construction expenditure for new schools opening as Academies/Free schools. As with schools already converted, the assets of these schools will be derecognised from the Council’s Balance Sheet in 2016-17.

EU Referendum Result

Subsequent to the balance sheet date (31 March 2016), during both the lead up to the EU referendum and following the vote by the UK public to leave the EU, financial markets have been fragile leading to volatility of investment values. Despite the heightened uncertainty following the vote, the valuation of the pension fund’s investments in the period immediately following the vote has been marginally higher than the valuation at 31 March 2016. It is unclear what the long-term effects may be, however the Fund’s investment portfolio is sufficiently diversified that the overall impact is not expected to be significant. With respect to liabilities, corporate bond yields have recently reduced which would translate to an increase in IAS 19 pension liabilities.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in balances in 2015-16:

2015-16	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	39,389	-	-	-39,389
Revaluation losses on Property Plant and Equipment	26,017	-	-	-26,017
Movements in the fair value of Investment Properties	69	-	-	-69
Revenue expenditure funded from capital under statute	23,568	-	-	-23,568
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	85,213	-	-	-85,213
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-31,442	-	-	31,442
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments involving the Capital Grants and Contributions Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-53,251	-	2,650	50,601
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-4,718	4,718	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-6,157	-	6,157
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-51	-	-	51
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 23)	51,856	-	-	-51,856
Employer's pensions contributions and direct payments to pensioners payable in the year	-32,411	-	-	32,411
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	-317	-	-	317
Adjustment involving the Accumulated Absences Account				

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16	Usable Reserves			
	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,141	-	-	-2,141
Total Adjustments	106,063	-1,439	2,650	-107,274

Movements in balances in 2014-15:

2014-15	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	38,985	-	-	-38,985
Revaluation gains reversing previous revaluation losses on Property Plant and Equipment	-34,252	-	-	34,252
Movements in the fair value of Investment Properties	-	-	-	-
Revenue expenditure funded from capital under statute	7,157	-	-	-7,157
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	21,284	-	-	-21,284
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-24,232	-	-	24,232
Capital expenditure charged against the General Fund	-597	-	-	597
Adjustments involving the Capital Grants and Contributions Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-10,121	-	1,048	9,073
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	-5,350	5,350	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-5,350	-	5,350
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	-56	-	-	56

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15	Usable Reserves			
	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 23)	51,087	-	-	-51,087
Employer's pensions contributions and direct payments to pensioners payable in the year	-29,839	-	-	29,839
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	-2,166	-	-	2,166
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	-411	-	-	411
Total Adjustments	11,489	-	1,048	-12,537

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

7. 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-14 £000	Transfers Out 2014-15 £000	Transfers In 2014-15 £000	Balance at 31-Mar-15 £000	Transfers Out 2015-16 £000	Transfers In 2015-16 £000	Balance at 31-Mar-16 £000
Carry forward – Schools	**22,458**	-23,476	22,910	**21,892**	-22,443	21,195	**20,644**
Carry forward – Other	**12,031**	-19,285	13,948	**6,694**	-7,831	9,971	**8,834**
Insurance Reserve	**4,106**	-5,449	3,882	**2,539**	-4,048	4,373	**2,864**
Transformation Reserve	**-**	-	-	-	-	11,583	**11,853**
Other Earmarked Reserves	**15,458**	-13,171	21,236	**23,523**	-19,220	18,178	**22,481**
Total	**54,053**	**-61,381**	**61,976**	**54,648**	**-53,542**	**65,570**	**66,676**

8. OTHER OPERATING EXPENDITURE

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

2014-15 £000		2015-16 £000
15,935	Losses on the disposal of non-current assets	**59,194**
373	Levies	**376**
16,308	**Total**	**59,570**

NOTES TO THE CORE FINANCIAL STATEMENTS

9. 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.

2014-15 £000		2015-16 £000
24,737	Interest payable and similar charges	**25,525**
18,762	Net interest on the net defined benefit liability	**17,829**
-1,144	Interest receivable and similar income	**-487**
-	Income and expenditure in relation to investment properties and changes in their fair value	**-57**
58	Trading Accounts	**35**
42,413	**Total**	**42,845**

10. 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.

2014-15 £000		2015-16 £000
-236,229	Council tax income	**-245,076**
-59,537	Non-domestic rates	**-59,686**
-86,879	Non-ringfenced government grants	**-65,439**
-10,122	Capital grants and contributions	**-53,251**
-392,767	**Total**	**-423,452**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

Movements in balances in 2015-16 and 2014-15:

	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-15	**1,051,085**	**17,840**	**845,920**	**686**	**5,621**	**34,800**	**1,955,952**	**102,523**
Additions	-	-	47,797	-	-	59,676	**107,473**	12,845
Donations	-	-	-	-	-	-	**-**	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	40,497	-	-	-	5,336	-	**51,833**	-
Revaluation increases/ decreases (-) recognised in the surplus/ deficit on the Provision of services	-26,074	-	-	-	-1,363	-	**-27,437**	-
Derecognition and Disposals	-90,168	-	-2,998	-	-181	-	**-93,347**	-
Assets reclassified to (-)/ from Held for Sale	-369	-	-	-	-	-	**-369**	-
Assets reclassified to (-)/ from PPE	45,394	-	-410	-	-3,570	-41,414	**-**	-
Assets reclassified to (-)/ from Investment Properties	-2,728	-	-	-	-	-	**-2,728**	-
Other movements in Cost or Valuation	-21	-	-	-	-	-	**-21**	-
Transfers	-	-	-	-	-	-	**-**	-
At 31-Mar-16	**1,023,616**	**17,840**	**890,309**	**686**	**5,843**	**53,062**	**1,991,356**	**115,368**
Accumulated Depreciation and Impairment								
At 1-Apr-15	**-44,994**	**-13,960**	**-158,796**	**-**	**-303**	**-**	**-218,053**	**-41,831**
Depreciation charge	-15,968	-976	-22,445	-	-	-	**-39,389**	-3,767
Depreciation written out to the Revaluation Reserve	16,809	-	-	-	-136	-	**16,673**	-
Depreciation written out to the surplus/ deficit on the provision of services	1,536	-	-	-	115	-	**1,651**	-
Impairment losses/ reversals (-) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/ reversals (-) recognised in the surplus/ deficit on the provision of services	-	-	-	-	-	-	**-**	-
Derecognition and Disposals	6,761	-	1,749	-	178	-	**8,688**	-
Other movements in Depreciation and Impairment	-147	-	-	-	146	-	**-1**	-
At 31-Mar-16	**-36,003**	**-14,936**	**-179,492**	**-**	**-**	**-**	**-230,431**	**-45,598**
Net Book Value								
At 31-Mar-16	**987,613**	**2,904**	**710,817**	**686**	**5,843**	**53,062**	**1,760,925**	**69,770**
At 31-Mar-15	**1,006,091**	**3,880**	**687,124**	**686**	**5,318**	**34,800**	**1,737,899**	**60,692**

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								
[1]At 1-Apr-14 (Restated)	**870,098**	**13,439**	**795,073**	**646**	**4,787**	**62,391**	**1,746,434**	**85,797**
Additions	-	4,401	55,509	-	-	-8,834	**51,076**	16,726
Donations	-	-	-	-	-	-	**-**	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	148,330	-	-	40	95	-	**148,465**	-
Revaluation increases/ decreases (-) recognised in the surplus/ deficit on the Provision of services	35,536	-	-	-	-350	-	**35,186**	-
Derecognition and Disposals	-18,206	-	-4,662	-	-1	-	**-22,869**	-
Assets reclassified to (-)/ from Held for Sale	-3,411	-	-	-	1,090	-	**-2,321**	-
Other movements in Cost or Valuation	-19	-	-	-	-	-	**-19**	-
Transfers	18,757	-	-	-	-	-18,757	**-**	-
[1]At 31-Mar-15	**1,051,085**	**17,840**	**845,920**	**686**	**5,621**	**34,800**	**1,955,952**	**102,523**
Accumulated Depreciation and Impairment								
[1]At 1-Apr-14 (Restated)	**-49,346**	**-11,555**	**-140,313**	**-**	**-119**	**-**	**-201,333**	-37,139
Depreciation charge	-15,109	-2,405	-21,358	-	-113	-	**-38,985**	-4,692
Depreciation written out to the Revaluation Reserve	19,043	-	-	-	181	-	**19,224**	-
Depreciation written out to the surplus/ deficit on the provision of services	-881	-	-	-	85	-	**-796**	-
Impairment losses/ reversals (-) recognised in the Revaluation Reserve	81	-	-	-	-	-	**81**	-
Impairment losses/ reversals (-) recognised in the surplus/ deficit on the provision of services	-73	-	-	-	-	-	**-73**	-
Derecognition and Disposals	962	-	2,875	-	-8	-	**3,829**	-
Other movements in Depreciation and Impairment	329	-	-	-	-329	-	**-**	-
[1]At 31-Mar-15	**-44,994**	**-13,960**	**-158,796**	**-**	**-303**	**-**	**-218,053**	**-41,831**
Net Book Value								
[1]At 31-Mar-15	**1,006,091**	**3,880**	**687,124**	**686**	**5,318**	**34,800**	**1,737,899**	**60,692**
[1]At 31-Mar-14 (Restated)	**820,752**	**1,884**	**654,760**	**646**	**4,668**	**62,391**	**1,545,101**	**48,658**

Capital commitments

At 31 March 2016, the Council has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2015-16 and future years,

NOTES TO THE CORE FINANCIAL STATEMENTS

budgeted to cost £67m. Similar commitments at 31 March 2015 were £106m. The major commitments are:

Expenditure approved and contracted		31-Mar-16 £000
First Northstowe Primary School	New 3 Form Entry primary school and community facilities	10,057
Hardwick Second Campus (Cambourne)	Extension to 2 Form Entry	2,027
Alconbury Primary School	New 3 Form Entry primary school	8,893
Maple Grove Primary School	Two class pre-school and single primary school class extension	2,488
The Grove Primary School, phase 2	Two class extension and alterations	1,191
Littleport Secondary School	New secondary, SEN and primary school	37,500
Fourfields Primary School	Three classroom extension and remodelling	1,070
Huntingdon Primary School	Three classroom extension and alterations	1,258
Trinity School	Conversion - extension, alterations and refurbishment	2,997
Total		**67,480**

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. In order to ensure that carrying values are kept in line with current values in the interim, the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. The 80% of 2015-16 valuations were carried out externally by RICS registered valuers, 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 2015.

The significant assumptions applied in estimating current values are:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation of long-term assets

	Carried at historical cost:	Valued at fair value as at:					Total
		2010-11	2011-12	2012-13	2013-14	2014-15	
	£000	£000	£000	£000	£000	£000	£000
Land and Buildings		109,574	195,545	110,053	322,299	286,145	**1,023,616**
Vehicles, Plant, Furniture and Equipment		-	-	13,439	4,401	-	**17,840**
Infrastructure Assets	890,309						**890,309**
Community Assets	686						**686**
Surplus Assets		-	-	-	-	5,843	**5,843**
Assets Under Construction	53,062						**53,062**
	943,277	**109,574**	**195,545**	**123,492**	**326,700**	**291,988**	**1,991,356**
Assets Held for Sale		-	-	-	-	614	**614**
Investment Properties		-	-	-	-	2,658	**-**
Total	**944,057**	**109,574**	**195,545**	**123,492**	**326,700**	**292,602**	**1,991,970**

12. 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 2014	**20,565**	**150**	**20,715**
Additions during 2014-15	1	-	1
31 March 2015	**20,566**	**150**	**20,716**
1 April 2015	20,566	150	20,716
Additions during 2015-16	1	-	1
31 March 2016	**20,567**	**150**	**20,717**

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 2015-16 for possible impairments and does not believe it is economic to conduct revaluations on a more frequent basis.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Chairperson of the Council, their 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

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.

13. LONG-TERM DEBTORS

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

31-Mar-15 £000		31-Mar-16 £000
2,513	Bodies external to general government (i.e. all other bodies)	3,880
626	Central government bodies	418
0	Long term finance lease receivable	21,300
3,139	**Total**	**25,598**

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

	Long-term		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£000	£000	£000	£000
Investments:				
Available-for-sale financial assets	400	-	-	50
Total investments	400	-	0	50
Cash and cash equivalents:				
Cash and cash equivalents	0	-	1,064	37,462
Total cash and cash equivalents	0	-	1,064	37,462
Loans and receivables:				
Loans and receivables (excluding prepayments)	25,598	3,139	48,457	57,118
Total receivables	25,598	3,139	48,457	57,118
Borrowings:				
Financial liabilities at amortised cost	-356,305	-356,190	-3,428	-26,557
Total borrowings	-356,305	-356,190	-3,428	-26,557
Other liabilities:				
Other liabilities	-120,402	-110,770	-97,668	-102,196
Total other liabilities	-120,402	-110,770	-97,668	-102,196

Income, Expense, Gains and Losses

	2015-16				2014-15			
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale	Total £000
Interest expense	25,525	-	-		24,737	-		24,737
Total expense in the Deficit on the Provision of Services	25,525	-	-	25,525	24,737	-		24,737
Interest income	-	-300	-187	-487	-	-1,144		-1,144
Total income in the Deficit on the Provision of Services	-	-300	-187	-487	-	-1,144		-1,144
Net gain (-) / loss for the year	25,525	-300	-187	25,038	24,737	-1,144		23,593

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Values

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

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

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

Financial assets measured at fair value				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**31-Mar-15**	**31-Mar-16**
			£000	**£000**
Available for Sale - Certificate of Deposits	Level 1	Unadjusted quoted prices in active market for identical shares.	-	-
Total			-	-

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

All other available for sale investments are carried at historic cost, as a fair value cannot be established or they are commercially sensitive. The total value of these available for sale investments at 31 March 2016 is £400k.

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

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

Except for the financial assets carried at fair value (described in the table above, zero for 2014/15 and 2015/16), all other financial assets and financial liabilities represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, early repayment rates from the PWLB have been applied to provide the fair value.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

- Where an instrument has a maturity of less than 12 months or is a trade other receivable the fair value is taken to be the carrying amount or the billed amount.

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

	31 March 2015		31 March 2016	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£000	£000	£000	£000
PWLB borrowing	-302,507	-401,217	**-279,494**	**-378,759**
Non-PWLB borrowing	-80,240	-117,047	**-80,240**	**-121,527**
Short term creditors/payables	-99,484	-99,484	**-94,455**	**-94,455**
Short term finance lease & PFI liability	-2,712	-2,712	**-3,213**	**-3,213**
Long term finance lease & PFI liability	-110,770	-110,770	**-120,402**	**-120,402**
Financial liabilities	**-595,713**	**-731,230**	**-577,804**	**-718,356**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £378.859m measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £279.494m would be valued at £336.485m. But if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2015		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Fixed term investments	0	0	0	0
Cash and Cash Equivalents	37,462	37,462	**1,064**	**1,064**
Short term debtors (excluding prepayments)	57,118	57,118	**48,457**	**48,457**
Long term debtors	3,139	3,139	**25,598**	**25,598**
Loans and receivables	**97,719**	**97,719**	**75,119**	**75,119**
Certificate of Deposits	0	0	0	0
Municipal Bonds Agency	50	50	400	400
Available for Sale	**50**	**50**	**400**	**400**

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

15. INVESTMENT PROPERTIES

The following items of income have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2014-15 £000		2015-16 £000
-	Rental income from investment property	**-127**

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000		2015-16 £000
-	**Balance outstanding at start of year**	**-**
	Additions:	
-	Purchases	
-	Construction	-
-	Subsequent Expenditure	-
	Disposals	
	Net gains/losses from fair value adjustments	-70
-	Transfers:	-
-	to/from Inventories	
	to/from PPE	2,728
	Other changes	
-	**Balance outstanding at year-end**	**2,658**

16. FAIR VALUE HIERARCHY

The Council's Surplus Assets, Assets Held for Sale and Investment Properties have been valued according to the following fair value hierarchy:

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2016 £000
Surplus Assets	3,609	2,234	**5,843**
Assets Held for Sale	147	467	**614**
Investment Assets	947	1,712	**2,658**
	4,703	**4,413**	**9,116**

There have been no transfers between Levels 2 and 3 during the year.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation Techniques

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

Level	Disclosure Category	Valuation Approach
2	Retail / car park, Industrial land / Artist Studios / Offices let on leases for open market rents	Term and Reversion valuation to derive Fair Value based on net rent for term and reversion applying an appropriate "all in" risks yield based on comparable evidence. The net rents are assessed considering comparable evidence for similar transactions for similar properties in similar locations, adjusted to allow for factors such as lease terms and location. The yields are chosen by comparison to similar transactions adjusted to allow for factors such as lease terms, strength of covenant, rent review periods and voids.
2	Agricultural Land	Term and reversion valuation to derive Fair Value, using rent passing and future likely increases and applying an appropriate "all in" risks yield based on comparable evidence. The rents are assessed considering comparable evidence. Depending on agricultural lease type e.g. FBT or AHA. Reversions are generally to vacant possession as capital values typically are higher than capitalised rental values.
3	Land and/or buildings with development potential, or potential for alternative uses.	Comparable transactions and / or residual valuations. Comparable transactions consider what similar land has been sold for pro-rata and adjustments made to it to arrive at a value Residual valuations assess gross development values and deduct gross development costs to arrive at a residual land value.
3	Ground Rents of industrial, storage, retail and car park land. Unusual properties where little comparable evidence is available for some reason. Properties in disrepair or where decontamination is required and costs are unknown.	Term and reversion valuations to derive Fair Value, using rent passing and applying an appropriate all in risk yield based on comparable evidence. Rents are assessed considering comparable evidence for similar transactions. The yields are chosen by comparison to similar transactions and adjusted to allow for factors such as remaining term, strength of covenant, security of income and rent review period and proximity to reversion.

NOTES TO THE CORE FINANCIAL STATEMENTS

Highest and Best Use

In estimating the fair value of the Council's investment and surplus properties, the highest and best use is their current use.

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

Fair value movements for assets categorised within level 3:	**31-Mar-16**
	£000
Opening balance	**2,066**
Reclasses between PPE, AHFS and Investment Properties	**1,254**
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	**1,093**
Total Short Term Receivables	**4,413**

Gains or losses arising from changes in the fair value of level assets are recognised in the Surplus or Deficit on the Provision of Services in the Adult Social Care and Corporate and Democratic Core lines.

17. SHORT TERM DEBTORS

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

31-Mar-15		**31-Mar-16**
£000		**£000**
23,202	Central government bodies	**8,405**
1,485	NHS bodies	**2,149**
751	Public corporations and trading funds	**-**
40,070	Other local authorities, entities and individuals	**43,039**
65,508	**Total Short Term Debtors**	**53,593**

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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-15 £000		31-Mar-16 £000
21,896	Cash held by the Council	1,064
15,552	Cash equivalents	0
276	School bank accounts	0
-262	Overdraft	0
37,462	**Total Cash and Cash Equivalents**	**1,064**

19. SHORT TERM CREDITORS

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

31-Mar-15 £000		31-Mar-16 £000
-7,296	Central government bodies	-5,469
-2,614	NHS bodies	-2,646
-34	Public corporations and trading funds	-
-92,252	Other local authorities, entities and individuals	-89,553
-102,196	**Total Short Term Creditors**	**-97,668**

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 1-Apr-15	Provisions arising & adjusted	Provisions utilised	Provisions reversed	Balance at 31-Mar-16
	£000	£000	£000	£000	£000
Current:					
Insurance	**2,356**	1,150	0	0	**3,506**
Other Corporate Provisions (<£1m)	**1,815**	489	0	-154	**2,150**
Long-term:					
Insurance	**3,613**	0	0	0	**3,613**
Total	**7,784**	**1,639**	**0**	**-154**	**9,269**

Insurance

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

The amount paid under the insurance arrangements plus the amount outstanding under this arrangement is £14.2m. As a result of the imposition of the levy, the Council has made a levy payment of £2.1m and is also liable to contribute to each and every subsequent claim payment made by MMI on the Council's behalf, thereby creating an on-going financial obligation. MMI's financial position has continued to deteriorate and the insurance fund has a provision to fund the extension of the levy from 15% to 25%. As a result a further payment is due to be made in 2016/17 in the sum of £1.4m to meet this historic liability.

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.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

21. OTHER LONG TERM LIABILITIES

An analysis of other long term liabilities is shown below:

31-Mar-15 £000		31-Mar-16 £000
-559,255	Pensions Liabilities	-479,437
-131	Long term finance lease (non- PFI)	-131
-110,639	Long term finance lease (PFI)	-120,271
-626	Deferred credits	-418
-670,651	**Total**	**-600,257**

22. 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 7 (page 53);

- **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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

this reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (page 25).

23. UNUSABLE RESERVES

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

31-Mar-15 £000		31-Mar-16 £000
432,081	Revaluation Reserve	**481,294**
706,983	Capital Adjustment Account	**640,149**
-1,331	Financial Instruments Adjustment Account	**-1,280**
-559,255	Pensions Reserve	**-479,438**
-60	Collection Fund Adjustment Account	**257**
-8,031	Accumulated Absences Account	**-10,172**
570,387	**Total Unusable Reserves**	**630,810**

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000	Revaluation Reserve	2015-16 £000
321,380	**Balance at 1st April**	**432,081**
170,107	Upward revaluation of assets	**72,459**
-2,352	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**-4,024**
489,135	**Surplus or deficit on revaluation of long-term assets not posted to the Surplus or Deficit on the Provision of Services**	**500,516**
-5,171	Difference between fair value depreciation and historical cost depreciation	**-6,731**
-51,883	Accumulated gains on assets sold or scrapped	**-12,491**
-57,054	**Amount written off to the Capital Adjustment Account**	**-19,222**
432,081	**Balance at 31st March**	**481,294**

Capital Adjustment Account

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

The Account also contains revaluation gains and losses accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000	Capital Adjustment Account	2015-16 £000
643,850	**Balance at 1st April**	**706,983**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-38,985	Charges for depreciation and impairment of long-term assets	-39,389
34,252	Revaluation gains reversing previous losses on Property, Plant and Equipment	-26,017
-7,157	Revenue expenditure funded from capital under statute	-23,568
-21,284	Amounts of long-term assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	-85,213
57,054	Adjusting amounts written out of the Revaluation Reserve	19,222
667,730	**Net written out amount of the cost of non-current assets consumed in the year**	**552,018**
	Capital financing applied in the year:	
5,350	Use of the Capital Receipts Reserve to finance new capital expenditure	6,157
9,073	Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account	50,601
24,232	Statutory provision for the financing of capital investment charged against the General Fund	31,442
598	Capital expenditure charged against the General Fund	-
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-69
706,983	**Balance at 31st March**	**640,149**

Pensions Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000	Pensions Reserve	2015-16 £000
-437,786	**Balance at 1st April**	**-559,255**
-100,221	Remeasurement of net defined liability	**99,262**
-51,087	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	**-51,856**
29,839	Employer's pensions contributions and direct payments to pensioners payable in the year	**32,411**
-559,255	**Balance at 31st March**	**-479,438**

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.

2014-15 £000	Accumulated Absences Account	2015-16 £000
-8,442	**Balance at 1st April**	**-8,031**
8,442	Settlement/cancellation of accrual made at the end of the preceding year	**8,031**
-8,031	Amounts accrued at the end of the current year	**-10,172**
411	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	**-2,141**
-8,031	**Balance at 31st March**	**-10,172**

24. 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 General Purposes Committee 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;

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

The income and expenditure of the Council's principal services recorded in the budget reports for the 2015-16 and 2014-15 financial years are as follows:

2015-16	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	-92,647	-16,321	-20,560	-	**-129,528**
Government grants	-291,555	-10,581	-705	-17,003	**-319,844**
Total Income	**-384,202**	**-26,902**	**-21,265**	**-17,003**	**-449,372**
Employee expenses	259,442	20,273	21,116	2,250	**303,081**
Other service expenses	383,130	76,937	26,683	14,753	**501,503**
Total Expenditure	**642,572**	**97,210**	**47,799**	**17,003**	**804,584**
Net Expenditure	**258,370**	**70,308**	**26,534**	**-**	**355,212**

2014-15	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	-93,763	-16,529	-20,492	-	**-130,784**
Government grants	-271,441	-12,632	-742	-20,453	**-305,268**
Total Income	**-365,204**	**-29,161**	**-21,234**	**-20,453**	**-436,052**
Employee expenses	251,242	20,119	23,326	2,155	**296,842**
Other service expenses	385,262	79,930	33,116	18,298	**516,606**
Total Expenditure	**636,504**	**100,049**	**56,442**	**20,453**	**813,448**
Net Expenditure	**271,300**	**70,888**	**35,208**	**-**	**377,396**

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.

2014-15 £000		2015-16 £000
377,396	Net expenditure in the Service Analysis	355,212
-36,121	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	56,941
341,275	**Cost of services in the Comprehensive Income and Expenditure Statement**	**412,153**

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.

2015-16	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	-129,528	-	-129,528	-	-129,528
Interest and investment income	-	-	-	-487	-487
Income from council tax	-	-	-	-245,076	-245,076
Government grants and contributions	-319,844	-	-319,844	-178,376	-498,220
Total Income	**-449,372**	**-**	**-449,372**	**-423,939**	**-873,311**
Employee expenses	303,081	2,141	305,222	-	305,222
Other service expenses	501,503	1 15,411	516,914	2 17,807	534,721
Depreciation, amortisation and impairment	-	39,389	39,389	-	39,389
Interest payments	-	-	-	25,525	25,525
Precepts and levies	-	-	-	376	376
Gain or loss on disposal of long-term assets	-	-	-	59,194	59,194
Total Expenditure	**804,584**	**56,941**	**861,525**	**102,902**	**964,427**
Surplus(-)/ deficit on the provision of services	**355,212**	**56,941**	**412,153**	**-321,037**	**91,116**

1 Other service expenses include adjustments such as due to IAS19 and non- current assets
2 Other service expenses include pensions interest cost and expected return on pensions assets

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15	Service Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	-130,784	-	**-130,784**	-	**-130,784**
Interest and investment income	-	-	**-**	-1,144	**-1,144**
Income from council tax	-	-	**-**	-236,229	**-236,229**
Government grants and contributions	-305,268	-	**-305,268**	-156,538	**-461,806**
Total Income	**-436,052**	**-**	**-436,052**	**-393,911**	**-829,963**
Employee expenses	296,842	-409	**296,433**	-	**296,433**
Other service expenses	516,606	-74,697	**441,909**	18,820	**460,729**
Depreciation, amortisation and impairment	-	38,985	**38,985**	-	**38,985**
Interest payments	-	-	**-**	24,737	**24,737**
Precepts and levies	-	-	**-**	373	**373**
Gain or loss on disposal of long-term assets	-	-	**-**	15,935	**15,935**
Total Expenditure	**813,448**	**-36,121**	**777,327**	**59,865**	**837,192**
Surplus(-)/ deficit on the provision of services	**377,396**	**-36,121**	**341,275**	**-334,046**	**7,229**

25. 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 £5m or a deficit greater than £100,000 in 2015-16 are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000		2015-16 £000
	Catering, Cleaning, Groomfields & Grounds Management (CCS)	
-18,443	Turnover	-19,476
18,501	Expenditure	19,459
58	**Surplus(-)/ Deficit**	**-17**
	Other trading units	
-7,363	Turnover	-8,383
7,374	Expenditure	8,407
11	**Surplus(-)/ Deficit**	**24**
69	**Total Surplus (-)/ Deficit**	**7**
21	**Adjustment of Surplus (-)/ Deficit for other non-material external trading**	46
-32	**Adjustment to exclude Surplus (-)/ Deficit internal trading**	-18
58	**Net Surplus (-)/ Deficit on trading operations**	**35**

Catering, Cleaning, Groomfields and Grounds Management

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

Other trading units

These include Education Information and Communication Technology (ICT), Cambridgeshire Music and the Grafham Water Centre.

26. POOLED BUDGETS

Better Care Fund

Effective from the 1 April 2015, Cambridgeshire County Council began hosting the Better Care Fund. This is part of a national initiative to pool Health and Social Care funding to services to achieve better health and care outcomes for the local community.

The fund operated according to an agreement made under section 75 of the National Health Service Act 2006 between the County Council and the local NHS. The partners planned expenditure together through the fund including:

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The financial results for the first year of the Better Care Fund are as follows:

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

The surplus arises in the jointly managed transformation projects, and is carried forward into the fund for 2016/17.

In accordance with the section 75 agreement, NHS funded services which are commissioned directly by the Clinical Commissioning Group, do not require transactions to be via the County Council. Consequently, the actual transfer of funding from the NHS to the County Council as a result of the fund is £15.452m.

Other pooled budgets

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

- NHS Cambridgeshire, for the provision of an 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014-15	Pooled Budget	
	Integrated Community Equipment Service £000	Learning Disability Partnership £000
Funding provided to the pooled budget:		
- the Council	-2,252	-57,836
- NHS Cambridgeshire	-2,112	-14,675
Subtotal	-4.364	-72,511
Expenditure met from the pooled budget:		
- the Council	2,016	58,945
- NHS Cambridgeshire	1,891	14,957
Subtotal	3.907	73,902
Net surplus (-) on the pooled budget during the year	**-457**	**1,391**
Council share of the net surplus (-) on the pooled budget	**-236**	**1,109**

NOTES TO THE CORE FINANCIAL STATEMENTS

27. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2015-16 were £812,491 (£810,577 in 2014-15) and expenses totalled £48,306 (£47,249 in 2014-15).

28. 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 2015-16 (and 2014-15) is as follows:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

			Salary, Fees, and Allowances	Expenses Allowances	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
			£	£	£	£
Chief Executive (Gillian Beasley)	1	**2015-16**	78,241	0	12,404	**90,645**
		2014-15	0	0	0	**0**
Chief Executive (Mark Lloyd)	2	**2015-16**	111,343	1,089	23,003	**135,435**
		2014-15	188,970	1,413	37,794	**228,177**
Executive Director: Children, Families and Adults		**2015-16**	136,726	1,060	28,248	**166,034**
		2014-15	130,278	822	26,056	**157,156**
Executive Director: Economy, Transport and Environment Services		**2015-16**	123,271	0	25,468	**148,739**
		2014-15	122,050	0	24,410	**146,460**
Corporate Director: Customer Service and Transformation		**2015-16**	92,474	539	19,105	**112,118**
	3	**2014-15**	83,928	255	17,027	**101,210**
Director of Public Health	4	**2015-16**	104,760	2,427	13,690	**120,877**
	4	**2014-15**	105,136	0	13,455	**118,591**
LGSS Senior employees: LGSS Directors work across Cambridgeshire and Northamptonshire County Councils and with other LGSS customers as required. The costs are shared across both CCC and NCC.						
LGSS Managing Director	5	**2015-16**	132,802	4,274	16,344	**153,419**
	5	**2014-15**	132,007	3,019	15,627	**150,653**
LGSS Director of Finance (Section 151 Officer for Northamptonshire County Council)	5	**2015-16**	118,890	646	15,218	**134,754**
	5	**2014-15**	117,742	1,277	15,071	**134,090**
LGSS Director of People, Transformation and Transactional Services	5	**2015-16**	139,736	1,348	17,886	**158,970**
	5	**2014-15**	121,964	1,171	15,611	**138,746**
LGSS Director of IT Services	5	**2015-16**	126,544	3,470	14,918	**144,932**
	6	**2014-15**	111,615	1,434	22,323	**135,372**
LGSS Director of Law and Governance	7	**2015-16**	106,925	2,570	17,963	**127,458**
	5	**2014-15**	96,003	2,431	19,201	**117,635**
LGSS Chief Finance Officer (Section 151 Officer for Cambridgeshire County Council)	6	**2015-16**	99,963	1,469	20,652	**122,084**
	6	**2014-15**	96,780	1,512	19,356	**117,648**

Notes:

1. The Chief Executive joined the organisation on 19th October 2015 as a Shared Chief Executive with Peterborough City Council. The Chief Executive's employment contract is with Peterborough City Council; the full remuneration costs for both Chief Executive roles for the 19th October 2015- 31st March 2016 period are shown above.

NOTES TO THE CORE FINANCIAL STATEMENTS

The cost to Cambridgeshire County Council for the share of the 19th October 2015- 31st March 2016 costs was £49,348.
The total remuneration costs for both roles for the full year were £201,067.

2. The Chief Executive left the organisation on 31st October 2015.
3. The Corporate Director: Customer Service and Transformation started on the 1 May 2014.
4. The Director of Public Health works jointly with Peterborough City Council (from 1st March 2015) and PCC pays a fixed contribution to CCC for the salary. In 2015-16 this was £52.3k (2014-15 £4,361).
5. These staff are on the NCC payroll.
6. These staff are on the CCC payroll.
7. The LGSS Director of Law and Governance was paid by LGSS Law Ltd. for 2015-16 except for £32k due to Procurement and Democratic Services work.

Employee remuneration above £50,000

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

Remuneration Banding	2015-16	2014-15
£50,000 - £54,999	70	75
£55,000 - £59,999	51	66
£60,000 - £64,999	49	37
£65,000 - £69,999	24	24
£70,000 - £74,999	11	11
£75,000 - £79,999	6	3
£80,000 - £84,999	2	2
£85,000 - £89,999	3	4
£90,000 - £94,999	3	5
£95,000 - £99,999	2	3
£130,000 - £134,999	1	0
Total	**222**	**230**

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

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

	Number of compulsory redundancies		Number of other departures with exit package		Total number of exit packages		Total cost of exit packages £000	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
£0 - £20,000	74	94	60	72	134	166	430	323
£20,001 - £40,000	15	12	1	1	16	13	443	360
£40,001 - £60,000	1	1	-	1	1	2	45	103
£60,001 - £80,000	2	3	-	0	2	3	138	206
£80,001 - £100,000	-	0	-	0	-	0	-	0
£100,001 - £150,000	-	1	-	0	-	1	-	132
Total	92	111	61	74	153	185	1,056	1,124

NOTES TO THE CORE FINANCIAL STATEMENTS

29. EXTERNAL AUDIT COSTS

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

[1]2014-15 £000		[2]2015-16 £000
179	Fees payable with regard to external audit services carried out by the appointed auditor	94
10	Fees payable to appointed auditor for certification of grant claims and returns	0
4	Fees payable in respect of other services provided by the appointed auditor	8
193	**Total**	**102**

[1] The 2014-15 figures relate to PwC.
[2] The 2015-16 figures relate to BDO.

30. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015-16 are as follows:

	Central expenditure £000	Individual schools budget (ISB) £000	Total £000
Final DSG for 2015-16 before Academy recoupment			412,749
Academy figure recouped for 2015-16			170,610
Total DSG after Academy recoupment for 2015-16			**242,139**
Brought forward from 2014-15			4,560
Carry forward to 2016-17 agreed in advance			0
Agreed initial budgeted distribution in 2015-16	54,101	192,599	**246,699**
In year adjustments	-	972	**972**
Final budget distribution for 2015-16	**54,101**	**193,571**	**247,671**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Less: Actual central expenditure	51,649		51,649
Less: Actual ISB deployed to schools		193,571	193,571
Plus: Local authority contribution for 2015-16	-	-	-
Carry-forward to 2016-17	**2,452**	**0**	**2,452**

31. GRANT INCOME

Material items of grant income supplied without restrictions

The following is a list of all unrestricted revenue grants received during 2015-16 (and 2014-15) that are in excess of £1 million:

[1]2014-15 £000		2015-16 £000
57,927	Redistributed Business Rates	58,705
72,017	Revenue Support Grant	53,669
10,652	NHS Funding	-
-	Better Care Fund (Financing)	15,457
6,366	Education Services Grant	5,103
4,853	Building Schools for the Future PFI Grant	4,853
3,944	Street Lighting PFI Grant	3,944
3,334	New Homes Bonus	4,413
2,691	Waste PFI Grant	2,691
2,139	Adult Safeguarded Learning Grants	1,442
-	Adult Social Care New Burdens (Care Act & Carers)	3,193
1,571	Primary Schools Sports Funding	1,561
1,302	Business Rates Compensation Grant	1,652
-	Independent Living Fund	1,037
166,796	**Total**	**157,720**

[1] The Social Fund Grant (£1,028k in 2014-15) is now below the £1m threshold. The previous year Grant total has been adjusted accordingly

NOTES TO THE CORE FINANCIAL STATEMENTS

Grant income supplied with mandated requirements

The following is a list of all conditional revenue grants received in excess of £1 million during 2015-16:

2014-15 £000		2015-16 £000
235,131	Dedicated Schools Grant	242,139
21,450	Public Health Grant	24,405
2,796	School Sixth Forms Funding	2,308
10,957	Pupil Premiums	10,498
270,334	**Total**	**279,350**

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-15 £000		31-Mar-16 £000
	Current:	
	Grants	
280	Building Schools for the Future project	**61**
4,543	Standards Fund capital grants	**961**
	Contributions	
19,870	Section 106 contributions and Community Infrastructure levy	**13,954**
5,171	Other contributions	**7,683**
	Long Term:	
	Contributions	
12,974	Section 106 contributions	**22,921**
0	City Deal Funding	**17,779**
1	Other contributions	**1,324**
42,839	**Total**	**64,683**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

32. 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 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in note 31.

Member and Senior Officer declarations

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

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

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

The Council has 2 pooled budget arrangements with NHS Cambridgeshire for the provision of services for people with learning disabilities and an integrated community equipment service.

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

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

Further Details for each of these pooled budgets and the Better Care Fund can be found in note 26.

Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2016:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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**
	2014-15	**CCC share**	**2015-16**	**CCC share**
Net expenditure*	22,686		24,829	
Surplus*	-652	-326	-20	-10

*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. In recent years, LGSS has secured major new partnerships across the region with many other public service organisations including several District & Borough Councils (e.g. Northampton Borough), NHS Health Bodies, Adult Social Care (e.g. Olympus Care Services) and schools.

Pensions

Administrative and other recharges made by the Council to the Pension Fund totalled £2.257m (2014-15 £2.365m).

Cambridge and Counties Bank

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

The bank has a unique structure being jointly owned by the Cambridgeshire Local Government Pension Fund and Trinity Hall College (each owning a 50% share). The current market value of the Pension Fund's investment at 31 March 2016 is £43m.

33. 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 2016 was £663m (£621m at 31 March 2015).

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000		2015-16 £000
	Expenditure funded from capital:	
51,058	Property, Plant and Equipment	**107,452**
-	Investment Properties	**0**
7,157	Revenue Expenditure Funded from Capital under Statute	**23,568**
	Sources of finance	
-5,350	Capital receipts	**-6,157**
-9,073	Government grants and other contributions	**-50,601**
-598	Direct Revenue Contributions	**-**
	Sum set aside from revenue:	
-24,232	MRP/ loans fund principal	**-31,442**
18,962	**Increase in Capital Financing Requirement**	**42,820**
	Explanation of movements in year	
35,688	Increase in underlying need to borrow (unsupported by government financial assistance)	**55,665**
-16,726	Assets acquired under PFI contracts	-12,845
18,962	**Increase in Capital Financing Requirement**	**42,820**

34. 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 35)):

31-Mar-15 £000		31-Mar-16 £000
36,990	Other Land and Buildings	**36,763**

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:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

MLP 31-Mar-15 £000	FLL 31-Mar-15 £000		MLP 31-Mar-16 £000	FLL 31-Mar-16 £000
9	5	Not later than 1 year	11	5
36	19	Later than 1 year and not later than 5 years	45	19
312	72	Later than 5 years	460	68
357	96	Total	516	92

(ii) Operating Leases

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

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

31-Mar-15 £000		31-Mar-16 £000
870	Not later than 1 year	921
2,583	Later than 1 year and not later than 5 years	2,441
3,659	Later than 5 years	4,257
7,112	Total	7,619

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

31-Mar-15 £000		31-Mar-15 £000
799	Minimum lease payments	983
76	Contingent rents	-
875	Total	983

Council as Lessor:

(i) Finance Leases

The Council has leased out playing fields, a landfill site, all Academy land and buildings and Castle Court (a new lease from January 2016) under finance leases. For the non-Academy leases, the Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise

NOTES TO THE CORE FINANCIAL STATEMENTS

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-15 £000	GI 31-Mar-15 £000		MLP 31-Mar-16 £000	GI 31-Mar-16 £000
124	111	Not later than 1 year	**1,266**	**238**
269	185	Later than 1 year and not later than 5 years	**5,600**	**4,432**
261	123	Later than 5 years	**165,138**	**14,542**
654	**419**	**Total**	**172,004**	**19,212**

(ii) Operating Leases

The Council leases out property under operating leases, primarily to schools and farms, however the Council did also sign in January 2016 a lease for Castle Court (previously one of the Council's office buildings) to Study Inn Investments Ltd for the purposes of student accommodation. This has increased the future minimum lease payments significantly.

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

31-Mar-15 £000		31-Mar-16 £000
4,535	Not later than 1 year	**4,702**
14,755	Later than 1 year and not later than 5 years	**14,532**
48,699	Later than 5 years	**28,400**
68,007	**Total**	**47,634**

35. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015-16, the following figures have been recognised in the Council's financial statements:

2014-15 £000	Comprehensive Income and Expenditure Statement	2015-16 £000	
11,208	Fair Value of Services Provided	**11,488**	
5,096	Interest payable on the finance lease liability	**5,074**	
208	Repayment of Capital	**494**	
1,820	Contingent Rents	**2,051**	
2,107	Lifecycle replacement costs	**1,842**	
2,787	Depreciation	**1,875**	
-2,691	PFI Credits	**-2,691**	
31-Mar-15 £000	**Balance Sheet**	**31-Mar-16 £000**	**Movement £000**
	Assets		
18,868	Land and buildings	17,970	**-898**
3,878	Plant and equipment	2,902	**-976**
	Liabilities		
-	Overdraft	**-**	**-**
-494	Short term finance lease liability	-1,312	**-818**
-48,288	Long term finance lease liability	-46,976	**1,312**
	Reserves		
1,482	Revaluation Reserve	1,411	**-71**
-27,518	Capital Adjustment Account (Depreciation and Debt Provision)	-28,828	**-1,310**

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	11,775	1,076	1,312	7,311	21,474
Within 2 to 5 years	50,120	4,952	5,256	31,070	91,398
Within 6 to 10 years	70,029	12,252	4,789	40,636	127,706
Within 11 to 15 years	79,231	8,574	11,505	45,176	144,486
Within 16 to 20 years	89,643	2,947	25,426	45,457	163,473
Total	300,798	29,801	48,288	169,650	548,537

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

2014-15 £000		2015-16 £000
48,990	**Balance outstanding at start of year**	48,782
-208	Payments during the year	-494
48,782	**Balance outstanding at end of year**	48,288

Street Lighting PFI

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

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

The contract does not specify any dates of renegotiation; however the pricing mechanism does include an inflationary adjustment in April of each year to reflect changes in Retail Price Index.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015-16, the following figures have been recognised in the Council's financial statements:

2014-15 £000	Comprehensive Income and Expenditure Statement	2015-16 £000	
2,505	Fair Value of Services Provided	**2,539**	
2,010	Interest payable on the finance lease liability	**2,924**	
1,932	Repayment of Capital	**1,659**	
6	Contingent Rents	**35**	
1,388	Depreciation	**1,892**	
-3,944	PFI Credits	**-3,944**	
31-Mar-15 £000	**Balance Sheet**	**31-Mar-16 £000**	**Movement £000**
	Assets		
37,944	Infrastructure	**48,898**	**10,954**
	Liabilities		
-1,659	Short term finance lease liability	**-1,282**	**377**
-31,590	Long term finance lease liability	**-43,153**	**-11,563**
	Reserves		
4,695	Capital Adjustment Account (Depreciation and Debt Provision)	**4,463**	**-232**

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	2,394	-	1,282	3,997	**7,673**
Within 2 to 5 years	9,683	-	5,860	16,016	**31,559**
Within 6 to 10 years	14,186	3,052	7,629	16,567	**41,434**
Within 11 to 15 years	15,839	3,668	11,614	12,788	**43,909**
Within 16 to 20 years	16,814	2,675	19,218	8,003	**46,710**
Within 21 years	874	-	1,239	301	**2,414**
Total	**59,790**	**9,395**	**46,842**	**57,672**	**173,699**

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000		2015-16 £000
22,856	**Balance outstanding at start of year**	**33,249**
-1,932	Payments during the year	**-1,659**
12,325	Capital expenditure incurred in the year	**12,845**
33,249	**Balance outstanding at end of year**	**44,435**

Building Schools for the Future (BSF)

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

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

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

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

For 2015-16, the following figures have been recognised in the Council's financial statements:

2014-15 £000	Comprehensive Income and Expenditure Statement	2015-16 £000	
505	Repayment of Capital	559	
-584	Contribution from schools	-596	
-4,853	PFI credits	-4,853	
31-Mar-15 £000	**Balance Sheet**	**31-Mar-16 £000**	**Movement £000**
	Liabilities		
-559	Short term finance lease liability	-619	**-60**
-30,902	Long term finance lease liability	-30,283	**619**
	Reserves		
-31,461	Capital Adjustment Account	-30,902	**559**

NOTES TO THE CORE FINANCIAL STATEMENTS

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	802	93	619	3,728	**5,242**
Within 2 to 5 years	3,412	805	2,753	14,595	**21,565**
Within 6 to 10 years	4,768	1,342	4,945	17,365	**28,420**
Within 11 to 15 years	5,394	1,520	8,009	15,323	**30,246**
Within 16 to 20 years	6,103	2,214	12,418	11,579	**32,314**
Within 21 years	1,314	484	2,159	1,173	**5,130**
Total	**21,793**	**6,458**	**30,902**	**63,763**	**122,916**

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

2014-15 £000		2015-16 £000
31,966	**Balance outstanding at start of year**	**31,461**
-505	Payments during the year	**-559**
31,461	**Balance outstanding at end of year**	**30,902**

36. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2015-16, incurring costs of £1.1m (£1.1m in 2014-15). See note 28 for the number of exit packages and total cost per band that has been paid during the year.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Discretionary post-retirement benefits

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

Transactions relating to post-employment benefits

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

As previously stated, the Local Government Pension Scheme (LGPS) is administered by Cambridgeshire County Council on behalf of all participating employers. It should be noted that the following figures only represent the Council's share as a participating employer. The figures for the entire LGPS are shown in the Pension Fund Accounts on pages 112-157.

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000	Local Government Pension Scheme	2015-16 £000
	Comprehensive Income and Expenditure Statement:	
	Cost of Services	
	Service cost comprising:	
34,959	- current service cost	**43,619**
298	- past service costs	**255**
-2,932	- gain (-)/ loss from settlements	**-9,847**
	Financing and Investment Income and Expenditure:	
18,762	Net interest expense	**17,829**
51,087	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**51,856**
	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:	
-55,216	- Return on plan assets (excluding the amount included in the net interest expense)	**39,073**
-	- Actuarial gains (-)/ losses arising on changes in demographic assumptions	**-**
176,237	- Actuarial gains (-)/ losses arising on changes in financial assumptions	**-125,748**
-20,800	- Other	**-12,587**
151,308	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**-47,406**
	Movement in Reserves Statement:	
-21,248	- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**-19,445**
	Actual amount charged against the General Fund Balance for pensions in the year:	
-27,314	**Employers' contributions payable to scheme**	**-29,433**
37,108	**Retirement benefits payable to pensioners**	**37,024**

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions assets and liabilities recognised in the Balance Sheet

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

2014-15 £000		2015-16 £000
-1,376,923	Present value of the defined benefit obligation	**-1,281,205**
817,668	Fair value of plan assets	**801,767**
-559,255	Net liability arising from defined benefit obligation	**-479,438**

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

2014-15 £000		2015-16 £000
730,902	**Opening fair value of scheme assets**	**817,668**
31,370	Interest income	**26,009**
	Remeasurement gain/ loss (-):	
55,216	- Return on plan assets (excluding the amount included in the net interest expense)	**-39,073**
-1,219	- Effect on settlements	**-7,025**
29,839	Contributions from employer	**32,411**
8,668	Contributions from employees into the scheme	**8,801**
-37,108	Benefits paid	**-37,024**
817,668	**Closing fair value of scheme assets**	**801,767**

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014-15 £000		2015-16 £000
1,168,688	**Opening balance at 1 April**	**1,376,923**
34,959	Current service cost	**43,619**
50,132	Interest cost	**43,838**
8,668	Contributions from scheme participants	**8,801**
	Remeasurement gains (-)/ losses:	
-	- Actuarial gains (-) arising on changes in demographic assumptions	**-**
176,237	- Actuarial losses arising on changes in financial assumptions	**-125,748**
-20,800	- Other	**-12,587**
298	Past service cost (including curtailments)	**255**
-37,108	Benefits paid	**-37,024**
-4,151	Liabilities extinguished on settlements	**-16,872**
1,376,923	**Closing balance at 31 March**	**1,281,205**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprise:

2014-15 £000		2015-16 £000
24,502	**Cash and cash equivalents**	16,423
	Equity Instruments (by industry type):	
80,985	- Consumer	18,727
50,128	- Manufacturing	15,667
23,037	- Energy and Utilities	13,672
66,873	- Financial Institutions	29,680
39,810	- Health and Care	12,775
36,969	- Information Technology	6,436
-	- Other	-
297,802		96,957
57,971	**Private Equity**	62,333
	Investment Funds and Unit Trusts:	
251,889	- Equities	435,717
124,672	- Bonds	121,321
60,832	- Other	69,016
437,393		626,054
817,668	**Total Assets**	801,767

Basis for estimating assets and liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000		2015-16 £000
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.5	- Men	**22.5**
24.5	- Women	**24.5**
	Longevity at 65 for future pensioners:	
24.4	- Men	**24.4**
26.9	- Women	**26.9**
2.4%	Rate of inflation	**2.2%**
4.3%	Rate of increase in salaries	**4.2%**
2.4%	Rate of increase in pensions	**2.2%**
3.2%	Rate for discounting scheme liabilities	**3.5%**

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

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

	Impact on the Defined Benefit Obligation in the Scheme £000
1 year increase in member life expectancy	**38,436**
0.5% decrease in inflation/ discount rate	**132,370**
0.5% increase in salary rate	**33,918**
0.5% increase in pension increase rate	**96,774**

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 2015-16, the Council paid £12.7m to Teachers' Pensions in respect of teachers' retirement benefits (2014-15 £11.8m). There were no contributions remaining payable at the year-end:

2014-15 £000		2015-16 £000
11,840	Employer's contributions	12,745
7,924	Employee contributions	7,414
19,764	**Total paid to Department For Education**	**20,159**

These amounts reflect contributions at the following rates:

2014-15 %		2015-16 %
14.1	Employer contribution (1 April – 31 August)	**14.1**
14.1	Employer contribution (1 September- 31 March)	**16.5**
	Employee contributions (pensionable pay based on salary bandings):	
6.4	£0 - £14,999	**7.4**
7.2	£15,000 - £25,999	**7.4**
8.3	£26,000 - £31,999	**8.6**
9.5	£32,000 - £34,999	**8.6**
9.5	£35,000 - £39,999	**9.6**
9.9	£40,000 - £41,499	**9.6**
9.9	£41,500 - £44,999	**10.2**
11.0	£45,000 - £54,999	**10.2**
11.0	£55,000 - £74,999	**11.3**
11.6	£75,000 - £99,999	**11.7**
12.4	£100,000+	**11.7**

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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.

Guided Busway

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

Accounting for Landfill Sites

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

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

Property Searches

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

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

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

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team within LGSS, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

The full Investment Strategy for 2015/16 was approved by Full Council in February 2015 and is available on the Council's website.

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

The Authority's maximum exposure to credit risk in relation to its investments of £10.1m cannot be assessed generally as the risk of any institution failing to make interest payments or repay; the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

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

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

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

31-Mar-15 £000		31-Mar-16 £000
37,515	Less than three months	**12,068**
1,283	Three to six months	**784**
1,015	Six months to one year	**1,089**
2,087	More than one year	**1,826**
41,900	**Total**	**15,767**

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Liquidity risk

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

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

All sums owing (£10.1m) are due to be paid in less than one year.

Refinancing and Maturity risk

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

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

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

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

31-Mar-15 £000	Debt maturity (lower/upper limits as % of debt)	Approved limit %		31-Mar-16 £000
53,543	Less than 1 year	0 – 80	(13%)	45,500
15,000	1-2 years	0 – 50	(0%)	0
11,443	2-5 years	0 – 50	(5%)	17,182
88,550	5-10 years	0 – 50	(29%)	102,811
212,607	10 years and above	0 – 100	(54%)	192,607
381,143	Total			358,100

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

Market risk

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(824)
Impact on Surplus or Deficit on the Provision of Services	**(824)**
Decrease in fair value of fixed rate investment assets	0
Impact on other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**(70,572)**

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

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

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

40. HERITAGE ASSETS: Summary of Transactions since April 2010

The Council provides some details of known acquisitions since 2008 in note 12, 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Storage and preservation
The archival collections are held in secure, environmentally-monitored strong rooms. The strong rooms in the basement of Shire Hall, Cambridge, do not meet the current standard and we were informed by The National Archives that they expected the Council to find alternative storage. As such the Council has been working to secure new premises which have now been confirmed as the former Strikes Bowling Alley building in Ely. The move to Ely is likely to take place in 2017. The strong room at Huntingdon Library and Archives and the Cottenham out-store 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 12.

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

The cost of preservation of archaeological assets held in store is £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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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. 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's Services.

Civic regalia

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

PENSION FUND

PENSION FUND

PENSION FUND

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

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

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

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

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

INTRODUCTION

1.1 The following comprises the Statement of Accounts for the Cambridgeshire County Council Pension Fund. The accounts cover the financial year from 1 April 2015 to 31 March 2016.

1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.

1.3 The accounts are set out in the following order:

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

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

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

PENSION FUND NET ASSET STATEMENT

31-Mar-15 £000		Notes	31-Mar-16 £000
	Dealings with members, employers and others directly involved in the fund:		
109,103	Contributions	7	118,843
2,866	Transfers in from other pension funds	8	8,735
111,969			127,578
(91,901)	Benefits	9	(92,374)
(36,845)	Payments to and on account of leavers	10	(5,315)
(128,746)			(97,689)
(16,777)			29,889
(9,898)	**Management Expenses**	11	(8,770)
	Returns on investments:		
35,712	Investment income	12	31,599
(1,176)	Taxes on income	13	(31)
218,316	Profit and losses on disposal of investments and changes in the market value of investments	15a	(60,114)
252,852	**Net returns on investments**		(28,546)
226,177	**Net increase/(decrease) in the net assets available for benefits during the year**		(7,427)

PENSION FUND NET ASSET STATEMENT

31-Mar-15 £000		Notes	31-Mar-16 £000
2,219,621	Investment assets		2,212,688
48,731	Cash deposits		31,929
2,268,352			2,244,617
(594)	Investment liabilities		(1,006)
2,267,758	Net investment assets	15	2,243,611
16,055	Current assets	21	43,765
1,896	Non-current assets	22	2,528
(1,991)	Current liabilities	23	(13,613)
15,960			32,680
2,283,718	**Net assets of the fund available to fund benefits at the period end**		**2,276,291**
2,057,541	**Opening net assets as at 1 April**		**2,283,718**
226,177	**Net increase/(decrease) in the net assets available for benefits during the year**		**(7,427)**
2,283,718	**Closing net assets as at 31 March**		**2,276,291**

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund.
The following description of the Fund is a summary only. For more detail, reference should be made to the Fund's Annual Report 2015-16 and the underlying statutory powers underpinning the scheme, namely the Public Services Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

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

Membership

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

Organisations participating in the Cambridgeshire Pension Fund include:

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

NOTES TO THE PENSION FUND ACCOUNTS

As at 31 March 2016 there are 243 (2015: 219) active employer organisations within the Cambridgeshire Pension Fund including the County Council itself, an increase of 24, as detailed below:

Cambridgeshire Fund	31-Mar-16	31-Mar-15
Number of employers with active members	243	219
Number of employees in scheme:		
County council	11,166	10,824
Other employers	15,578	14,521
Total	**26,744**	**25,345**
Number of Pensioners:		
County council	7,676	7,529
Other employers	8,493	8,129
Total	**16,169**	**15,658**
Deferred pensioners:		
County council	15,456	14,097
Other employers	15,433	14,158
Total	**30,889**	**28,255**
Total members	**73,802**	**69,258**

Funding

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

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

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 pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at John Dryden House, Northampton NN4 7YD or online at pensions.cambridgeshire.gov.uk.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015-16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015-16* 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 *Code of Practice on Local Authority Accounting in the United Kingdom 2016-17* has been issued and will be adopted for the 2016-17 financial year. The revised Code requires changes to the format of the Pension Fund Account and the Net Assets Statement. The changes are expected to have minimal impact on the presentation of the Pension Fund Account and the Net Assets Statement of the Cambridgeshire County Council Pension Fund.

NOTES TO THE PENSION FUND ACCOUNTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

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

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

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

Transfers to and from other schemes

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

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

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

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

Investment income

i) *Interest income*

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

NOTES TO THE PENSION FUND ACCOUNTS

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) *Movement in the net market value of investments*

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

v) Stock lending

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

Fund Account – expense items

Benefits payable

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

Taxation

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

Administrative expenses

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

Investment expenses

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

NOTES TO THE PENSION FUND ACCOUNTS

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

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

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

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2015-16, £0.7m of fees are based upon such estimates (2014-15: £ 0.6m).

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

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 period.

- **Fixed interest and index-linked securities**
  Fixed interest securities are recorded at net market value based on their current yields.

NOTES TO THE PENSION FUND ACCOUNTS

- **Unquoted investments**
  The fair value of investments for which market quotations are not readily available is determined as follows:
  - Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Council expects to receive on wind up, less estimated realisation costs.
  - Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
  - Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
  - Investments in unquoted property and infrastructure pooled funds 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 *International Private Equity and Venture Capital Valuation Guidelines 2012*.
  - The joint ownership of Cambridge and Counties Bank is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.

- **Limited partnerships**
  Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

- **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.

Foreign currency transactions

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

NOTES TO THE PENSION FUND ACCOUNTS

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.

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

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.

Actuarial present value of promised retirement benefits

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

NOTES TO THE PENSION FUND ACCOUNTS

Prudential and Equitable Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(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 and infrastructure 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 equity and infrastructure investments are valued by the investment managers using the *International Private Equity and Venture Capital Valuation Guidelines 2012*. The value of unquoted private equities at 31 March 2016 was £207.4m (£165.4m at 31 March 2015).

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

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

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 £191m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £49m, and a one-year increase in assumed life expectancy would increase the liability by approximately £41m.
Cambridge and Counties Bank	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. For prudency, the Pension Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.	The investment in the financial statements is £43.0m.There is a risk that this investment may be under, or overstated in the accounts.
Other private equity and infrastructure	All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £164.4m. There is a risk that this investment may be under or overstated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2016, and up to the date when these accounts were authorised that require any adjustments to these accounts.

Subsequent to 31 March 2016, the UK public voted in a referendum on 23 June 2016 for the UK to leave the European Union. In the period before, and immediately after, the referendum financial markets have shown heightened volatility, which might be expected to continue in the coming months. It is unclear what the long-term effects may be, however the Fund's investment portfolio is sufficiently diversified that the overall impact is not expected to be significant. The Council does not consider that the Fund's going concern status is affected, and any impact on the Fund's funding position will be considered by the actuary in the preparation of the 2016 funding valuation which will be completed later in the 2016-17 financial year.

NOTES TO THE PENSION FUND ACCOUNTS

7. CONTRIBUTIONS RECEIVABLE

By category

2014-15 Restated £000		2015-16 £000
87,393	Employers' contributions	91,847
21,710	Employees' contributions	26,996
109,103		118,843

The analysis of contributions by category for 2014-15 have been re-classified to properly reflect employers' and employees' contributions.

By authority

2014-15 £000		2015-16 £000
34,689	Administering Authority	40,093
65,771	Scheduled Bodies	70,476
8,643	Admitted Bodies	8,274
109,103		118,843

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2014-15 £000		2015-16 £000
-	Group transfers	5,773
2,866	Individual transfers	2,962
2,866		8,735

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

9. BENEFITS PAYABLE

By category

2014-15 £000		2015-16 £000
68,310	Pensions	67,885
21,942	Commutation and lump sum retirement benefits	23,065
1,649	Lump sum death benefits	1,424
91,901		92,374

By authority

2014-15 £000		2015-16 £000
37,220	Administering Authority	37,521
49,158	Scheduled Bodies	47,393
5,523	Admitted Bodies	7,460
91,901		92,374

The value of commutation and lump sum retirement benefits 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. The increase in benefits payable to Admitted Bodies in 2015-16 is due to schools converting to academies.

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2014-15 £000		2015-16 £000
108	Refunds to members leaving service	221
-	Payments for members joining state scheme	-
32,745	Group transfers	-
3,992	Individual transfers	5,094
36,845		5,315

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.

NOTES TO THE PENSION FUND ACCOUNTS

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

Group transfers in 2014-15 represented a single transfer paid in February 2015 in connection with the transfer of the administration of pensions for the Probation Service to the Greater Manchester Pension Fund.

11. MANAGEMENT EXPENSES

2014-15 £000		2015-16 £000
2,292	Administrative costs	2,270
7,198	Investment management expenses (see note 14)	6,390
408	Oversight and governance costs	110
9,898		8,770

12. INVESTMENT INCOME

2014-15 £000		2015-16 £000
-	Index-linked securities	35
26,067	Equity dividends	15,681
2,638	Pooled investments – unit trusts and other managed funds	9,500
5,340	Pooled Property Investments	3,656
1,287	Private equity/infrastructure income	2,270
102	Interest on cash deposits	149
278	Other (includes stock lending, class action and underwriting)	308
35,712		31,599

13. TAXES ON INCOME

2014-15 £000		2015-16 £000
1,176	Withholding tax - equities	31
1,176		31

Taxes on income are lower in 2015-16 due to the transfer of assets from segregated managers to pooled arrangements during the first quarter of the year. Under pooled arrangements the manager of the pooled fund is accountable for any taxes and these are reflected in the valuation of the pooled fund.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

14. INVESTMENT MANAGEMENT EXPENSES

2014-15 £000		2015-16 £000
6,688	Management fees	5,971
510	Investment support costs	419
7,198		6,390

Performance related fees in 2015-16 were £2.7m (2014-15: £4.1m).

15. INVESTMENTS

2014-15 £000		2015-16 £000
	Investment assets	
-	Index-linked securities	61,316
843,577	Equities	266,984
1,044,265	Pooled investments	1,487,140
162,593	Pooled property investments	187,080
165,436	Private equity/infrastructure	207,353
	Derivatives	
386	• Futures	-
48,731	Cash deposits	31,929
3,276	Investment income due	2,580
88	Amounts receivable for sales	235
2,268,352	**Total investment assets**	2,244,617
	Investment liabilities	
	Derivative contracts:	
(393)	• Futures	-
(157)	• Forward currency contracts	-
(44)	Amounts payable for purchases	(1,006)
(594)	**Total investment liabilities**	(1,006)
2,267,758	**Net investment assets**	2,243,611

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

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

	Market value 1-Apr-15 £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-16 £000
Index-linked securities	**-**	59,954	-	1,362	**61,316**
Equities	**843,577**	574,854	(1,125,479)	(25,968)	**266,984**
Pooled investments	**1,044,265**	615,001	(86,712)	(85,414)	**1,487,140**
Pooled property investments	**162,593**	19,910	(4,054)	8,631	**187,080**
Private equity/infrastructure	**165,436**	28,120	(26,594)	40,391	**207,353**
	2,215,871	1,297,839	(1,242,839)	(60,998)	**2,209,873**
Derivative contracts:					
• **Futures**	**(7)**	2	(88)	93	**-**
• **Forward Currency Contracts**	**(157)**	2,592	(2,291)	(144)	**-**
	2,215,707	1,300,433	(1,245,218)	(61,049)	**2,209,873**
Other investment balances:	**52,051**			**935**	**33,738**
• **Cash deposits**	48,731				**31,929**
• **Amount receivable for sales**	88				**235**
• **Investment income due**	3,276				**2,580**
• **Amounts payable for purchases of investments**	(44)				**(1,006)**
Net investment assets	**2,267,758**			(60,114)	**2,243,611**

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 totalled £973k (2014-15: £709k). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

	Market value 1-Apr-14	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-15
	£000	£000	£000	£000	£000
Equities	745,800	236,732	(221,233)	82,278	**843,577**
Pooled investments	955,205	25,227	(25,513)	89,346	**1,044,265**
Pooled property investments	146,164	9,916	(15,565)	22,078	**162,593**
Private equity/infrastructure	138,312	17,565	(20,003)	29,562	**165,436**
	1,985,481	289,440	(282,314)	223,264	**2,215,871**
Derivative contracts:					
• **Futures**	199	27	(4,276)	4,043	**(7)**
• **Forward Currency Contracts**	(107)	2,470	(2,522)	2	**(157)**
	1,985,573	291,937	(289,112)	227,309	**2,215,707**
Other investment balances:	**47,607**			(8,993)	**52,051**
• **Cash deposits**	47,259				**48,731**
• **Amount receivable for sales**	2,090				**88**
• **Investment income due**	3,462				**3,276**
• **Amounts payable for purchases of investments**	(5,204)				**(44)**
Net investment assets	**2,033,180**			218,316	**2,267,758**

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

15(b). Analysis of Investments

31-Mar-15 £000		31-Mar-16 £000
	Index-linked securities	
	UK	
-	Public Sector quoted	61,316
-		61,316
	Equities	
	UK	
364,898	Quoted	259,287
	Overseas	
478,679	Quoted	7,697
843,577		266,984
	Pooled funds – additional analysis	
	UK	
122,420	Fixed income	60,920
567,016	Equity	544,320
	Overseas	
213,787	Fixed income	210,891
140,276	Equity	665,635
766	Cash Fund	5,374
1,044,265		1,487,140
162,593	Pooled property investments	187,080
165,436	Private equity/ infrastructure	207,353
386	Derivatives	-
328,415		394,433
48,731	Cash deposits	31,929
3,276	Investment income due	2,580
88	Amounts receivable for sales	235
52,095		34,744
2,268,352	**Total investment assets**	2,244,617
	Investment liabilities	
(550)	Derivatives	-
(44)	Amounts payable for purchases	(1,006)
(594)	**Total investment liabilities**	(1,006)
2,267,758	**Net investment assets**	2,243,611

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

15(c). Investments analysed by fund manager

Market value 31-Mar-15 £000	%		Market value 31-Mar-16 £000	%
895,098	39.5	Schroders Investment Management	775,346	34.6
535,387	23.6	State Street Global Asset Management	525,754	23.4
284,373	12.6	Newton Investment Management	-	-
241,325	10.7	Amundi Asset Management	-	-
-	-	Dodge & Cox Worldwide Investments	329,995	14.7
-	-	JO Hambro Capital Management	253,038	11.3
91,480	4.0	Skagen Funds	82,602	3.7
57,942	2.5	Adams Street Partners	64,751	2.9
51,829	2.3	M&G Investments	53,501	2.4
45,123	2.0	HarbourVest Partners (UK)	50,919	2.3
17,289	0.7	Cambridge and Counties Bank (direct holding)	43,000	1.9
18,420	0.8	Equitix	25,378	1.1
18,011	0.8	UBS Infrastructure	19,055	0.8
11,154	0.5	Partners Group (UK)	17,749	0.8
327	0.0	Cash with custodian	2,523	0.1
2,267,758	**100.0**		**2,243,611**	**100.0**

All the above companies are registered in the United Kingdom.

The table below lists investments that represent more than 5% of the net assets of the Scheme.

Security	Market value 31-Mar-15 £000	% of total fund %	Market value 31-Mar-16 £000	% of total fund %
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	-	-	329,995	14.5
State Street Managed Pension Fund All World Equity Index Sub-Fund	320,365	14.0	318,655	14.0
JO Hambro Capital Management Global Select Fund Sterling Z shares	-	-	253,038	11.1
State Street Managed Pension Fund UK Equity Index Sub-Fund	215,022	9.4	207,099	9.1
Schroders International Selection Fund – Strategic Bond	161,958	7.1	157,390	6.9

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

The table below lists individual investments that represent more than 5% of any class or type of investment shown in the reconciliation of movements in investment and derivatives reported in Note 15(a).

Security	Market value 31-Mar-15 £000	% of asset class %	Market value 31-Mar-16 £000	% of asset class %
Index-linked securities	**-**	-	**61,316**	**100.00**
1.25% Index-linked Treasury Gilt 2055	-	-	3,823	6.23
0.375% Index-linked Treasury Gilt 2062	-	-	3,370	5.50
1.125% Index-linked Treasury Gilt 2037	-	-	3,356	5.47
1.25% Index-linked Treasury Gilt 2027	-	-	3,241	5.29
1.875% Index-linked Treasury Gilt 2022	-	-	3,244	5.29
2.5% Index-linked Treasury Stock 2024	-	-	3,139	5.12
0.5% Index-linked Treasury Gilt 2050	-	-	3,135	5.11
0.125% Index-linked Treasury Gilt 2068	-	-	3,128	5.10
0.75% Index-linked Treasury Gilt 2047	-	-	3,125	5.10
0.625% Index-linked Treasury Gilt 2040	-	-	3,114	5.08
Equities	**843,577**	**100.00**	**266,984**	**100.00**
GlaxoSmithKline plc	-	-	17,700	6.63
BP plc	-	-	15,111	5.66
Royal Bank of Scotland Group plc	-	-	14,903	5.58
Aviva plc	-	-	13,940	5.22
Pooled investments	**1,044,265**	**100.00**	**1,487,140**	**100.00**
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	-	-	329,995	22.19
State Street Managed Pension Fund All World Equity Index Sub-Fund	320,365	30.68	318,655	21.43
JO Hambros Capital Management Global Select Fund Sterling Z shares	-	-	253,038	17.02
State Street Managed Pension Fund UK Equity Index Sub-Fund	215,022	20.59	207,099	13.93
Schroders International Selection Fund – Strategic Bond	161,958	15.51	157,390	10.58
Skagen Funds Skagen Kon-Tiki Fund	91,480	8.76	82,602	5.55
Pooled property investments	**162,593**	**100.00**	**187,080**	**100.00**
Blackrock UK Fund	22,366	13.76	23,218	12.41
Standard Life Pooled Pension Property Fund	18,769	11.54	19,950	10.66
Schroder Unit Trust UK Real Estate	18,503	11.38	20,670	11.05
Legal & General Property Fund Units	17,534	10.78	19,197	10.26
Hermes Property Unit Trust	16,246	9.99	18,261	9.76
Mayfair Capital Property Units	13,496	8.30	17,977	9.61
Schroder Real Estate Real Income Fund	8,448	5.20	13,974	7.47
AVIVA Investors Pensions Ltd Property A	10,657	6.55	10,065	5.38
Industrial Property Investment Fund	8,873	5.46	10,074	5.38
Private equity/infrastructure	**165,436**	**100.00**	**207,353**	**100.00**
Cambridge & Counties Bank	17,289	10.44	43,000	20.74
Equitix Fund II, LP	18,419	11.13	24,789	11.95
UBS International Infrastructure Fund	17,517	10.58	17,765	8.57
Partners Group Global Infrastructure 2012 LP	11,154	6.74	17,749	8.56

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

15(d). Stock Lending

The Fund Strategy Statement sets the parameters for the Fund's stock-lending programme. At 31 March 2016, the value of quoted equities on loan was £36.3m (31 March 2015: £58.4m) in exchange for which the Custodian held collateral at fair value of £38.9m (31 March 2015: £64.6m). Collateral consists of acceptable securities and government debt.

16. 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.

Futures
There were no outstanding exchange traded futures contracts at 31 March 2016. Outstanding contracts at 31 March 2015 were as follows:

Type	Expires	31-Mar-15 Economic exposure £000	31-Mar-15 Market value £000
Assets			
UK Equity	Less than 1 year	-	-
Overseas Equity	Less than 1 year	-	
Overseas Cash Futures	Less than 1 year	(18,077)	386
Total assets		**(18,077)**	**386**
Liabilities			
UK Equity	Less than 1 year	-	-
Overseas Equity	Less than 1 year	-	-
Overseas Cash Futures	Less than 1 year	(2)	(393)
Total Liabilities		**(2)**	**(393)**
Net Futures		**(18,079)**	**(7)**

NOTES TO THE PENSION FUND ACCOUNTS

Open forward currency contracts

Settlement	Currency bought	Base market value £000	Currency sold	Base market value £000	Asset value £000	Liability value £000
None	-	-	-	-	-	-
				Open forward currency contracts at 31 March 2016	**-**	**-**
				Net forward currency contracts at 31 March 2016		**-**
				Prior year comparative		
				Open forward currency contracts at 31 March 2015	**-**	**(157)**
				Net forward currency contracts at 31 March 2015		**(157)**

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

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

31-Mar-15 Designated as fair value through profit and loss £000	31-Mar-15 Loans and receivables £000	31-Mar-15 Financial liabilities at amortised cost £000		31-Mar-16 Designated as fair value through profit and loss £000	31-Mar-16 Loans and receivables £000	31-Mar-16 Financial liabilities at amortised cost £000
			Investment assets			
-	-	-	Index-linked securities	61,316	-	-
843,577	-	-	Equities	266,984	-	-
1,044,265	-	-	Pooled investments	1,487,140	-	-
162,593	-	-	Pooled property investments	187,080	-	-
165,436	-	-	Private equity/ infrastructure	207,353	-	-
386	-	-	Derivative contracts	-	-	-
-	48,731	-	Cash	-	31,929	-
3,364	-	-	Other investment balances	2,815	-	-
-	-	-	Receivables	-	-	-
2,219,621	**48,731**	**-**		**2,212,688**	**31,929**	**-**
			Investment liabilities			
-	-	(550)	Derivative contracts	-	-	-
-	-	(44)	Payables	-	-	(1,006)
-	**-**	**(594)**		**-**	**-**	**(1,006)**
			Other assets and liabilities			
-	4,033	-	Cash	-	28,243	-
-	11,927	-	Other loans and receivables	-	4,437	-
-	**15,960**	**-**		**-**	**32,680**	**-**
2,219,621	**64,691**	**(594)**		**2,212,688**	**64,609**	**(1,006)**

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

17b. Net Gains and Losses on Financial Instruments

31-Mar-15 £000		31-Mar-16 £000
	Financial assets:	
223,264	Fair value through profit and loss	**(60,998)**
(8,993)	Loans and receivables	**1,097**
	Financial liabilities:	
-	Fair Value through profit and loss	**(51)**
-	Loans and Receivables	**(162)**
4,045	Financial liabilities measured at amortised cost	**-**
218,316	**Total gains / (losses)**	**(60,114)**

17c. 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.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

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

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

Values at 31 March 2016	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	1,125,863	753,307	333,518	2,212,688
Loans and receivables	64,609	-	-	64,609
Total financial assets	**1,190,472**	**753,307**	**333,518**	**2,277,297**
Financial liabilities				
Financial liabilities at amortised cost	(1,006)	-	-	(1,006)
Total financial liabilities	**(1,006)**	**-**	**-**	**(1,006)**
Net financial assets	**1,189,466**	**753,307**	**333,518**	**2,276,291**

Values at 31 March 2015	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	1,140,664	761,572	317,385	2,219,621
Loans and receivables	63,192	1,499	-	64,691
Total financial assets	**1,203,856**	**763,071**	**317,385**	**2,284,312**
Financial liabilities				
Financial liabilities at amortised cost	(594)	-	-	(594)
Total financial liabilities	**(594)**	**-**	**-**	**(594)**
Net financial assets	**1,203,262**	**763,071**	**317,385**	**2,283,718**

NOTES TO THE PENSION FUND ACCOUNTS

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

a) Market risk

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

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

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

NOTES TO THE PENSION FUND ACCOUNTS

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2015-16 reporting period.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	11.00
Overseas equities	13.30
Global pooled equities	10.80
Index-linked bonds	9.47
Pooled fixed interest bonds	1.37
Property	1.84
Alternatives	4.01
Cash and Other investment balances	0.01

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

NOTES TO THE PENSION FUND ACCOUNTS

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31-Mar-16 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	803,607	11.00	892,044	715,210
Overseas equities	7,697	13.30	8,721	6,673
Global pooled equities	665,635	10.80	737,524	593,746
Index-linked bonds	61,316	9.47	67,123	55,509
Pooled fixed interest bonds	271,811	1.37	275,535	268,087
Property	187,080	1.84	190,522	183,638
Alternatives	207,353	4.01	215,668	199,038
Cash and Other investment balances	39,112	0.01	39,116	39,108
Total Assets	**2,243,611**			
Variation on total assets[1]	**2,243,611**	**7.29**	**2,407,170**	**2,080,052**

[1]The percentage change for Total Assets includes the impact of correlation across asset classes.

Asset Type	Value as at 31- Mar-15 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
Equities	1,550,869	9.70	1,701,303	1,400,435
Pooled Bonds	336,207	1.10	339,905	332,509
Property	162,593	2.80	167,146	158,040
Alternatives	165,436	3.80	171,723	159,149
Cash	49,497	0.00	49,497	49,497
Other investment balances	3,156	0.00	3,156	3,156
Total Assets	**2,267,758**			
Variation on total assets	**2,267,758**	**6.60**	**2,417,430**	**2,118,086**

Note: An expanded analysis by asset type has been presented for 2015-16 but the comparative data for 2014-15 is not available for 31 March 2015 and therefore has not been re-presented.

Interest rate risk

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

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

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 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

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

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

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

31-Mar-15 £000	Asset Type	31-Mar-16 £000
48,731	Cash and cash equivalents	31,929
4,033	Cash balances	28,243
-	Index-linked securities	61,316
336,207	Fixed interest securities	271,811
388,971	Total	393,299

Assets exposed to interest rate risk	Value at 31-Mar-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	31,929	-	31,929	31,929
Cash balances	28,243	-	28,243	28,243
Index-linked securities	61,316	613	60,703	61,919
Fixed interest securities	271,811	2,718	269,093	274,529
Total change in assets available	393,299		389,968	396,630

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Assets exposed to interest rate risk	Value at 31-Mar-15 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	48,731	-	48,731	48,731
Cash balances	4,033	-	4,033	4,033
Fixed interest securities	336,207	3,362	332,845	339,569
Total change in assets available	**388,971**	**3,362**	**385,609**	**392,333**

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

Income exposed to interest rate risk	Amount receivable in 2014-15 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	102	1	103	101
Fixed interest securities	1,165	-	1,165	1,165
Total	**1,267**	**1**	**1,268**	**1,266**

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

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

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.

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's investment advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 6.0% (as measured by one standard deviation).

A 6.0% (31 March 2015: 5.4%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period.

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

A 6.0% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

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

Assets exposed to currency risk	Value at 31-Mar-15 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	618,954	33,424	652,378	585,530
Overseas Fixed Income	213,787	11,544	225,331	202,243
Overseas Cash Fund	766	41	807	725
Total	**833,507**	**45,009**	**878,516**	**788,498**

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

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.
In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

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

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2016 was £60.2m (31 March 2015: £52.8m). This was held with the following institution:-

	Rating	31-Mar-16 £000	31-Mar-15 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	29,934	37,645
UK Treasury Bills		-	1,500
Bank deposit account			
Barclays Bank	A	28,243	4,033
Futures variation margins (TBC)		-	5,193
Bank current accounts		1,995	4,393
Northern Trust custody accounts	P-1		
Total		**60,172**	**52,764**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2016 the value of illiquid assets was £394.4m, which represented 17.6% of the total Fund assets (31 March 2015: £328.0m, which represented 14.5% of the total Fund assets).

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

All financial liabilities at 31 March 2016 are due within one year.

d) Refinancing risk

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

19. FUNDING ARRANGEMENTS

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

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2013 actuarial valuation, the Fund was assessed as 72.4% funded (72.9% at the March 2010 valuation). This corresponded to a deficit of £728m (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.

Financial assumptions

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

		31-Mar-13		31-Mar-10	
Assumption	**Description**	**Nominal**	**Real**	**Nominal**	**Real**
Price Inflation (CPI)/ Pension increases		2.5%	-	3.3%	-
Pay increases	CPI plus 1.8% p.a.*	4.3%	1.8%	5.3%**	2.0%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.6% p.a.	4.6%	2.1%	6.1%	2.8%

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

NOTES TO THE PENSION FUND ACCOUNTS

Mortality assumptions

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

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
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 active and deferred members assume that they are aged 45 at the valuation date.

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

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 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.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

31-Mar-15 £bn		31-Mar-16 £bn
(3.791)	Present value of promised retirement benefits	(3.555)
2.284	Fair value of scheme assets (bid value)	2.277
(1.507)	**Net liability**	**(1.278)**

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2013 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

	31-Mar-16 % p.a.	31-Mar-15 % p.a.
Inflation/pension increase rate assumption	2.2	2.4
Salary increase rate	4.2	4.3
Discount rate	3.5	3.2

21. CURRENT ASSETS

31-Mar-15 £000		31-Mar-16 £000
	Debtors:	
1,601	Contributions due – members	2,048
4,295	Contributions due – employers	6,544
260	Transfer values receivable (joiners)	127
5,866	Sundry receivables	6,803
4,033	Cash balances	28,243
16,055		**43,765**

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

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 2016, a total of £3,160,000 was still due from the Ministry of Justice, with £632,000 being shown in Current Assets and £2,528,000 being due after 31 March 2017 being shown in Non Current Assets.

23. CURRENT LIABILITIES

31-Mar-15 £000		31-Mar-16 £000
1,080	Sundry payables	13,153
450	Transfer values payable (leavers)	94
461	Benefits payable	366
1,991		13,613

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-15 £000		Market value 31-Mar-16 £000
539	Equitable Life	463
7,394	Prudential	7,182
7,933		7,645

Contributions paid directly to Equitable Life during the year were negligible (2014-15: £5k) and total contributions of £940k were paid directly to Prudential during the year (2014-15: £1,109k). The value of both the Equitable Life and Prudential funds decreased during the year due to the payment of retirement benefits exceeding receipts from contributions and investment income.

25. AGENCY SERVICES

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

NOTES TO THE PENSION FUND ACCOUNTS

2014-15 £000		2015-16 £000
237	Unfunded pensions	81
237		81

26. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

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

The Council incurred costs of £2.2m (2014-15: £2.4m) 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 £28.2m to the Fund in 2015-16 (2014-15: £27.3m). At 31 March 2016 there was £2.8m (31 March 2015: £4.7m) due to the Fund by the Council.

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). The Council's Section 151 Officer is Non-executive Director on the Board of CCB for which CCB pays £35,000 p.a. to the Council.

Governance

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

- Councillor Michael Shellens
- Matthew Pink
- John Walker

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Board are required to declare their interests at each meeting.

NOTES TO THE PENSION FUND ACCOUNTS

Key management personnel

Paragraph 3.9.4.3 of the Code exempts Local Authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Cambridgeshire County Council Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Cambridgeshire County Council.

27. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2016 totalled £93.9m (31 March 2015: £119.5m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

28. CONTINGENT ASSETS

Eighteen admitted body employers in the Cambridgeshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

29. IMPAIRMENT LOSSES

Impairment for bad and doubtful debts

During 2015-16 the Fund did not suffer any impairment loss (2014-15: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

NOTES TO THE PENSION FUND ACCOUNTS

30. ORGANISATIONS PARTICIPATING IN THE PENSION FUND AT 31 MARCH 2016

Scheduled Bodies

Abbey College
Abbey Meadows Academy
Active Learning Trust HQ
Alderman Jacobs School
All Saints Inter Church VA Primary School
Arthur Mellows Village College
Bar Hill Parish Council
Bassingbourn Village College
Bishop Creighton Academy
Bottisham Village Academy
Bourn C of E Primary School
Buckden C of E Primary School
Burrowmoor Primary School
Cambourne Village College
Cambridge City Council
Cambridge Meridian Academy
Cambridge Regional College
Cambridgeshire Chief Constable
Cambridgeshire Fire Authority
Cambridgeshire Police & Crime Commissioners
Cambridgeshire Police Authority
Centre 33
Chesterton Community College Academy
Chesterton Primary Academy
City College Peterborough
City Of Cambridge
City of Peterborough Academy
City of Peterborough Special School
Comberton Academy Trust
Comberton Village College
Cottenham Village College
Cromwell Academy
Cromwell Community College
Cromwell Primary Academy
Crosshall Infants Academy
Crosshall Juniors Academy
Dogsthorpe Academy
East Cambs District
Elm Road Primary School
Ernulf Academy
Eyrescroft Primary School
Fenland District Council
Fulbridge Academy
Gamlingay
Hampton College Academy
Hatton Park
Health Authority
Highlees Primary Academy
Hills Road 6th Form College
Hinchingbrooke School Academy
Histon & Impington Infant School
Histon & Impington Junior School
Huntingdon District Council
Huntingdonshire College
Impington Village College
Isle of Ely Academy
Kennett Primary School
Kimbolton Primary Academy
Kings School Academy
Kingsfield Primary Academy
Leverington Primary Academy
LGSS Law Ltd
Linton Village College Academy
Long Road 6th Form College
Longsands College Academy
Lunchtime UK (Waterbeach)
Magistrates Court Committee
Matley Primary Academy
Melbourn Village College Academy
Mepal & Witcham C of E Primary Academy
Middlefield Primary School
Millfield Primary School Academy
Neale Wade Academy
Nene Infants Academy
Nene Park Academy
New Road Primary Academy
Newark Hill Primary Academy
North Cambridge Academy
North Peterborough PCT
Ormiston Bushfield Academy
Ormiston Meadows Academy
Parkside Federation Academy
Peckover Primary School

NOTES TO THE PENSION FUND ACCOUNTS

Peterborough City Council
Peterborough College of Adult Education
Peterborough Regional College
Ramnoth Junior Academy
Sawston Village College Academy
Sawtry Community College Academy
Shade Primary School
Sir Harry Smith Community College
Soham Village College
Somersham Parish Council
Somersham Primary School
South Cambs District
Sport & Leisure Management Ltd
Spring Common Primary School Academy
St Andrews C of E Primary Academy
St Bedes School
St Helen's School
St Ivo School Academy
St John's Academy (Stanground)
St Marys C of E Junior
St Marys Primary Academy(St Neots)
St Peters C of E Junior Academy
St Peters School Academy
Stanground Academy
Stanground St John
Staploe Education Trust HQ
Swavesey Parish Council
Swavesey Village College Academy
The Centre School Academy
The Voyager Academy
Thomas Clarkson Community College Academy
Thomas Deacon Academy
University Technical College Academy
VISIT Cambridge and Beyond
Welland Primary Academy
West Town Primary Academy
William de Yaxley C of E Junior Academy
William Law Primary Academy
Winhills Primary School
Witchford Village College

Designated Bodies

Bretton Parish Council
Burnt Fen Internal Drainage Board
Burwell Parish Council
Cambourne Parish Council
Chatteris Town Council
Cheveley Parish Council
City Of Ely Council
Eye Parish Council
Farcet Parish Council
Feldale Internal Drainage Board
Gamlingay Parish Council
Haddenham Level Drainage Commissioners
Haddenham Parish Council
Histon & Impington Parish Council
Holmewood and District Internal Drainage Board
Huntingdon Town Council
Kimbolton & Stonely Parish Council
Linton Parish Council
Little Downham Parish Council
Little Paxton Parish Council
Littleport & Downham IDB
Middle Fen & Mere Internal Drainage Board
Middle Level Commissioners
Newborough Parish Council
North Level Commissioners
Old West Internal Drainage Board
Orton Waterville Parish Council
Sawston Parish Council
Sawtry Parish Council
Soham Parish Council
St Ives Town Council
St Neots Town Council
Sutton Parish Council
Swaffham Internal Drainage Board
Thorney Parish Council
Tydd St Giles P C
Waterbeach Level Internal Drainage Board
Waterbeach Parish Council
Whittlesey & District Internal Drainage Board
Whittlesey Town Council
Wimblington Parish Council
Wisbech Town Council
Witcham Parish Council
Yaxley Parish Council

Admission Bodies

Action for Children
Action for Children (London Road)
ADEC
Advance Cleaning Services
Alliance in Partnership Ltd
Apollo Property Services Group Limited
Aspens (Hemingford Grey)
Aspens (Huntingdon Primary)
Aspens Services Ltd (CPF)
Aspens Services Ltd (Fen Drayton)
Aspens Services Ltd (Swavesey)
Avocet Cleaning Services Ltd
Balfour Beatty
Cambridge & Peterborough NHS Foundation Trust
Cambridge LIVE
Cambridgeshire & Peterborough
Clinical Commissioning Group

NOTES TO THE PENSION FUND ACCOUNTS

Cambridgeshire and Peterborough Mental Health Trust
Cambridgeshire Careers Guidance Ltd
Cambridgeshire Community Services Trust
Carers Trust
Cater Link Ltd
Churchill Contract Services
Circle Anglia Limited
Compass Contract Services
Conservators of the River Cam
Coram Cambridge Adoption Ltd
Cross Keys Housing Association
Dell (Cromwell)
Dell (Sir Harry Smith)
Dell Corporation Ltd
Drinksense
E&Ess&Herts Prov Cls
Easy Clean (Fordham)
Easy Clean Contractors Ltd
EasyClean (Kings Hedges)
EasyClean (St Peter's)
ECOVERT
Elior UK
Enterprise Management Services Limited
Etheldred House
Everyone Active
Friends Therapeutic Community
Great Staughton Primary School
Home Close
Homerton College Cambridge
Inclusion
Indigo Spa Management
Innovate Services Ltd
Kelsey Kerridge Sports Centre
Luminus Group
Lunchtime UK (Thorndown)
Lunchtime UK Ltd
Mears Ltd
Mears Ltd (SCDC)
MITIE Facilities Management
Museum Doc Association
Oxford Archaeology
Pabulum Catering Ltd
Peterborough Council for Voluntary Service
Peterborough Womens Aid
Radis Community Care
Roddons Housing Association
Sanctuary Housing
Serco
Serco Limited
Skanska PCC (Highways)
South Cambridgshire Primary Care Trust
Spurgeons
St Columba Centre
Stephen Perse Foundation
Taylor Shaw Ltd
Thorokleen Trading Limited
TSG Building Services
Vivacity
Wisbech & Fenlnd Museum
Wisbech Grammar

Cambridgeshire County Council

GLOSSARY

ACCRUAL
An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

ACCUMULATED ABSENCES ACCOUNT
An unusable reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

ACTUARIAL BASIS
Valuations performed by an actuary relating to a pension scheme's assets and liabilities.

ACTUARY
An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met

ADMITTED BODIES
Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

ALL SHARE INDEX
Properly the FTSE All Share index which summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

AMORTISATION
The process of reducing the value of an asset or liability over its useful life.

AT BEST
An instruction to deal at the best price ruling in the market at the time, i.e. The highest price (selling) or lowest (buying).

AUTHORISED UNIT TRUSTS
A unit trust which is approved by the Financial Services Authority (FSA) to be sold to members of the public.

AVAILABLE FOR SALE FINANCIAL ASSETS
Assets that have a quoted market price and/or do not have fixed or determinable payments.

BALANCE SHEET
A summary of financial position showing the assets and liabilities recognised by the Council, matched by the level of reserves held.

GLOSSARY

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.

BENEFICIAL OWNER
The true owner of a security regardless of the name in which it is registered.

BID PRICE
The price at which securities are purchased by market makers.

BOND
Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured

BUDGET
A statement defining the Council's policy over a specified period expressed in financial terms and including other performance and statistical data.

BUILDING SCHOOLS FOR THE FUTURE (BSF)
A national programme to bring all secondary schools up to modern standards over the next 15-20 years.

CAPITAL ADJUSTMENT ACCOUNT
An account that reflects the difference between the cost of long-term assets consumed and the capital financing set aside to pay for them.

CAPITAL FINANCING REQUIREMENT
A notional amount of debt which determines the Minimum Revenue Provision.

CAPITAL GRANTS
Grants received towards capital spending (see next) on a particular service or project.

CAPITAL SPENDING
Payments made for the acquisition or provision of assets which will be of long-term value to the Council e.g. land, buildings and equipment.

CAPITAL RECEIPTS
Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt.

Cambridgeshire County Council

GLOSSARY

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.

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.

GLOSSARY

Cambridgeshire County Council

DEBENTURE
Fixed loan stock (bond) secured against the company's property, plant and equipment. First in the event of the company going into liquidation.

DEFERRED PENSION BENEFIT
A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT
An outcome as a result of taking away all expenses from income.

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

DERIVATIVE
A special type of contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, and is often called the "underlying". Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DISTRIBUTION DATES
The date when interest or dividends are distributed to investors. Also called Payment Date.

DIVIDEND
The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

EARMARKED RESERVE
An earmarked reserve is money set aside for a specific purpose.

EARNINGS PER SHARE (EPS]
The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the 'E' term in the P/E ratio to value shares.

EQUITIES
Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

EVENTS AFTER THE BALANCE SHEET DATE
Events occurring between the Balance Sheet date and the date on which the Accounts are signed by the Director of Finance, which have a significant impact on the Council's finances.

GLOSSARY

FINANCIAL INSTRUMENTS
Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
An account to manage the imbalance between accounting rules and statutory provisions for charging amounts to the general fund. The “balancing” entry for each of the adjustments for the Financial Instruments will constitute a new reserve on the Balance Sheet called “Financial Instruments Adjustment Account”. This reserve is not a usable reserve.

FINANCIAL CONDUCT AUTHORITY (FCA)
The lead UK regulator. A designated agency which is not a government department.

FIXED INTEREST CORPORATE BOND
A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum

FORCE MAJEURE
A common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, riot, crime, or an event described by the legal term *act of God* (such as hurricane, flooding, earthquake, volcanic eruption, etc.), prevents one or both parties from fulfilling their obligations under the contract.

FTSE-100 INDEX
The main UK index used to represent the approximate price movements of the top 100 shares.

FUTURES
Instruments which give a buyer the right to purchase a commodity at a future date.

GEARING
The amount of borrowing versus debt on a company’s Balance Sheet (Net debt/Ordinary shareholders’ funds). Warrants and options also exhibit gearing, i.e. a small move in the price of the underlying asset can be magnified in the move in the price of the option.

GENERAL FUND
The main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met.

GILT
Similar to Corporate Bonds by way of interest and redemption but these are issued by Government and are a loan to the Government.

GLOSSARY

Cambridgeshire County Council

GOVERNMENT GRANTS
Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Education or Social Services; or general.

HEDGE
To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

HEDGE FUND
A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

HERITAGE ASSETS
Assets (land, building, or artefact/ exhibit) held principally for their contribution to knowledge or culture.

IMPAIRMENT
A reduction in the value of an asset from its previous value in the accounts.

IMRO
Investment Management Regulatory Organisation. Fund Manager Regulator.

INCOME
Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, government grants and precept. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that year.

INDEX LINKED
Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

INTEREST YIELD
The annual coupon on a bond divided by the clean price.

INFRASTRUCTURE ASSETS
Assets such as roads and bridges.

INTANGIBLE ASSETS
Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

INTERNAL CONTROLS
Procedures or systems designed to promote efficiency, assure policy implementation, safeguard assets and avoid fraud and error.

Cambridgeshire County Council

GLOSSARY

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

INVENTORIES
Goods bought but have not been used.

LGSS
A partnership between Cambridgeshire 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.

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.

Cambridgeshire County Council

GLOSSARY

PAYABLES
Amounts owed by the Council for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.

PENSIONS STRAIN
Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

POOLED BUDGET
A partnership where participants aggregate funds to work collaboratively to address specific issues.

PRECEPT
The cash sum levied by one Authority in relation to council tax, which is collected by another (a billing Authority). The County Council is the precepting Authority and the District Councils are the billing authorities, acting as an agent for the Council.

PRIVATE FINANCE INITIATIVE (PFI)
A form of partnership between the private and public sector which is normally used for high risk / high value contracts for delivering capital assets for the provision of public services. The private sector designs, builds and maintains infrastructure and other capital assets and then operates those assets in return for annual payments to sell services to the public sector.

PROPERTY, PLANT AND EQUIPMENT
A non-current asset or long-term asset item which cannot easily be converted into cash.

PROVISION
An amount set aside for liabilities, which are known to exist, but which cannot be definitively measured at the date of the accounts.

PRUDENTIAL BORROWING
Borrowing which is financed from the Council's own resources and conforms to the Prudential Code.

PUBLIC WORKS LOAN BOARD
A government body set up specifically to lend money to local authorities.

RECEIVABLES
Sums of money due to the Council but unpaid at the Balance Sheet date.

RELATED PARTY
A person or an organisation which has influence over another person or organisation.

GLOSSARY

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.

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.

GLOSSARY

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

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

Cambridgeshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, 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 2016 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:

ANNUAL GOVERNANCE STATEMENT

- Members exercising strategic leadership by developing the Council's vision and priorities and keeping these under review. 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;

- The Constitution, Schemes of Delegation to members and officers, Financial Procedure Rules and other supporting procedures which set out how decisions are taken and the processes and controls required to manage risk; and having arrangements in place to ensure these are reviewed regularly;

- An Audit and Accounts Committee which is responsible for: independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment; and 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 Council's Committee system of corporate governance, introduced in May 2014. The Council meets CIPFA/Solace guidance recommending effective scrutiny of decisions made by Council; under the committee system of governance, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary. The Committee system in place continues to evolve, and from May 2016, the Council has established a new Assets and Investments Committee.

ANNUAL GOVERNANCE STATEMENT

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control. The review of effectiveness is informed by assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment; the 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 Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations.

- The annual report and opinion on the Internal Control environment prepared by the Head of Internal Audit. This report draws upon the outcome of audit reviews undertaken throughout 2015/16 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.

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.

ANNUAL GOVERNANCE STATEMENT

The budget preparation process 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

Executive decisions are made by one of the Council's 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 2015/16, considering reports, including the annual Internal Audit Report, from the Head of Internal Audit, the Council's Senior Finance Officers and the External Auditor. The Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. Additionally, in 2015/16 the Committee was requested by Full Council to undertake a review of the process by which proposals relating to the Cambridge Library Enterprise Centre emerged and were developed. This review was undertaken with Internal Audit and reported back to Full Council.

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 Executive Director of Children, Families and Adult Services were effectively fulfilled during 2015-16 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;

ANNUAL GOVERNANCE STATEMENT

- 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 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 provided his annual report to the Audit Committee on 7th June 2016. This report will outline the key findings of the audit work undertaken during 2015/16.

The Internal Audit assurance scoring mechanism was reviewed and updated during 2015/16 to reflect the effectiveness of the Council's internal control environment.

At the conclusion of each audit, internal audit assigns three opinions. The opinions are:

- Control Environment Assurance

- Compliance Assurance

- Organisational Impact

From the reviews undertaken during 2015/16, only one area was identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. This related to the Internal Audit review of Home to School Transport. An action plan to address the identified weaknesses in the control environment was agreed by the service, and a full update on the implementation of these actions to date was brought to the Audit & Accounts Committee meeting in June 2016.

It is the opinion of the Head of Internal Audit that, on the basis of the audit work undertaken during the 2015/16 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. In addition, there are no outstanding significant issues arising from the work undertaken by Internal Audit. However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The level of assurance therefore remains at a similar level from 2014/15. The detail to support this assessment was provided in the Annual Internal Audit Report which will be presented to the Audit and Accounts Committee in June 2016.

Review of Internal Audit

ANNUAL GOVERNANCE STATEMENT

The Public Sector Internal Audit Standard was introduced from April 2013. A self-assessment of Internal Audit's compliance with this new Standard was presented to the Audit and Accounts Committee in June 2015. The next review was reported to the Audit and Accounts Committee in June 2016.

External Audit

PwC was the Council's appointed External Auditor for the 14/15 Accounts. As well as an examination of the Council's financial statements, the work of the Council's External Auditor included an assessment of the degree to which the Council delivers value for money in its use of its resources. In its Annual Audit letter it issued an unqualified conclusion on the ability of the Council to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Risk Management

The Council managed its risks during 2015/16 in accordance with the approved Risk Management Policy and the Risk Management Procedures. The Strategic Management Team and Directorate Management Teams formally considered risk on a quarterly basis. Quarterly Risk Management Reports were submitted to both the General Purposes Committee and the Audit and Accounts Committee.

The Internal Audit Plan for 2016/17 presented to the Audit and Accounts Committee in March 2016 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 2016/17.

SIGNIFICANT GOVERNANCE ISSUES

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Annual Governance Statement process allows the Council to identify any significant actions it is proposing to undertake to enhance its corporate governance arrangements. However there are no such actions requiring specific mention in the 2015/16 Annual Governance Statement.

Cambridgeshire does continue to face very significant future challenges associated with a significant reduction in Central Government funding. 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. In 2015/16, significant work has been undertaken to improve and develop the Business Planning process going forward, including the introduction of a separate savings tracking process and the development of business cases for all proposals included in the Plan; these actions should ensure that the Council has clear plans in place to address the financial challenge and that effective monitoring processes identify any issues at an early stage. Further review of the Business Planning process is planned for 2016/17.

ANNUAL GOVERNANCE STATEMENT

It is recognized that in order to address this increased financial pressure on the organisation, the Council needs to transform and develop more effective working across services. Over the past year, a review of corporate capacity and a transformation programme have therefore been launched at Cambridgeshire, to drive savings and efficiencies and to improve collaborative working throughout the Council. This work includes reviews of key areas including asset utilization, partnership and stakeholder engagement, and business intelligence.

There has also been an increased awareness of the importance of sound project management and procurement practice during the course of the year. Following an Internal Audit review, an action plan has been put in place to address the key risks identified, and progress with actions has been monitored at every Audit and Accounts Committee meeting. These areas are also under review as part of the Corporate Transformation Programme; the Procurement, Contracts & Purchasing workstream is led by the Chief Finance Officer and is aimed at improving and integrating procurement and commissioning across the Council as a whole. The Corporate Capacity Review includes a review of project management processes and guidance as well as the Council's Gateway Review process, to ensure that the Council has the best structures and processes in place to manage its projects effectively. It has been identified that the Council would benefit from a refreshed framework for partnerships, and this is also being taken forward in 2016/17 as part of the transformation programme.

In 2015/16 the primary focus of the transformation work at Cambridgeshire has been on planning and engagement with staff, with the Council moving into the full implementation phase in 2016/17.

ANNUAL GOVERNANCE STATEMENT

CHAIRMAN OF GENERAL PURPOSES COMMITTEE AND CHIEF EXECUTIVE STATEMENT

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Councillor Steve Count
Chairman of the General Purposes Committee

Gillian Beasley
Chief Executive

Councillor Michael Shellens
Chairman of the Audit and Accounts Committee

June 2016