AUDIT AND ACCOUNTS COMMITTEE

Thursday, 31 October 2019

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

Shire Hall
Castle Hill
Cambridge
CB3 0AP

<u>14:00</u>

Room 128
Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

1.	**Apologies for Absence**	
2.	**Petitions and Public Questions**	
3.	**Statement of Accounts 2018-19**	**3 - 248**
4.	**Agenda Item No.4 - External Auditor's ISA 260 Report (Audit Results)**	**249 - 306**

The Audit and Accounts Committee comprises the following members:

Councillor Mike Shellens (Chairman) Councillor Terence Rogers (Vice-Chairman)

Councillor Sandra Crawford Councillor Peter Hudson Councillor Mac McGuire Councillor David Wells and Councillor John Williams

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Rob Sanderson

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https://tinyurl.com/CommitteeProcedure

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Agenda Item No:3

STATEMENT OF ACCOUNTS 2018-19

To:	**Audit and Accounts Committee**		
Date:	**31 October 2019**		
From:	**Head of Integrated Financial Services**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/a**	*Key decision:*	**Yes**
Purpose:	**This report presents the audited Statement of Accounts for the 2018-19.**		
Recommendation:	**The Committee is asked to approve the 2018-19 Statement of Accounts.**		

	Officer contact:		***Member contact***
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1. BACKGROUND

1.1 The Council's Statement of Accounts is produced in accordance with the Code of Practice (CoP) on Local Authority Accounting in the United Kingdom 2018-19 (supported by International Financial Reporting Standards (IFRS)), and includes a full balance sheet and statement of cash flow movements.

1.2 This version of the Statement of Accounts replaces the draft version that was presented to the Committee for review on 11 June 2019 and now requires this Committee's approval.

1.3 This report should also be considered in conjunction with the ISA260 report from EY, the external auditors, in respect of the audited accounts.

2. STATEMENT OF ACCOUNTS

2.1 The Statement of Accounts are made up of the following sections:

- The Narrative Report - providing a summary of the most significant matters reported within the accounts and of the Council's financial position, this section is intended to outline the overall context within which the Council operates and provide a commentary on the Council's performance in 2018-19.
- Statement of Responsibilities – provides details of the formal responsibilities assigned to the Council and the Chief Finance Officer in respect of the Statement and the financial management of the Council.
- The Core Financial Statements – providing a financial snapshot at 31 March 2019 of the Council's position and activity during the preceding year, comprising of:

  Comprehensive Income and Expenditure Statement (CIES)
  Reports the net cost for the year of all of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

  Movement in Reserves Statement (MIRS)
  Shows the movement in the year on the different reserves held by the Council. The reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.

  Balance Sheet
  Presents the value of the Council's current and non-current assets and liabilities as at 31 March 2019 with the bottom line effectively being the net worth of the organisation.

  Cash Flow Statement
  Summarising the inflows and outflows of cash arising from transactions with third parties, this analysis shows how the Council generates and uses cash and cash equivalents.

  Expenditure and Funding Analysis (EFA)
  Demonstrating to council tax payers how the funding available to the Council has been used to provide services, the EFA also shows how this expenditure is allocated between the Council's directorates.

- Notes to the Core Financial Statements, which provide further supporting details on aspects of the accounts and which are largely defined by the CoP.
- Accounting Policies – this section details the accounting policies followed by the Council throughout the year and applied in producing the Statement of Accounts.
- Local Government Pension Scheme Accounts – details the financial activities relating to the pension fund, together with a snapshot of the assets and liabilities of the fund at 31 March 2019.
- Glossary – the Statement inevitably includes a number of technical terms and this section provides an explanation of their meaning.

2.2 There are no significant changes in accounting treatment required by the CoP in 2018-19.

3. THE FINAL ACCOUNTS

3.1 The draft accounts were presented to the Committee late on the 10 June 2018 which was only one day before the Audit Committee meeting. This was the result of certain resourcing pressures experienced by the closedown team, which condensed the time available to prepare the accounts. The delay to the production of the draft accounts did unfortunately limit the amount of time that the document was available for management review before being released for external audit.

3.2 Consequently there are a number of audit amendments that are required to the statements. The most significant adjustments are summarised below. These items have all been adjusted and confirmed with EY in the final set of accounts presented with this report.

a) **Pension Adjustments (£5.1m CIES and £25m Balance Sheet)** – due to the national McLeod judgement relating to age discrimination on historic changes to certain pension schemes, including the LGPS. Updated actuary valuations were required which have been updated for in the accounts;

b) **Grant Income (CIES £25.5m)** – affecting the CIES only, this changes ensures that the capital grant income is appropriately accounted for;

c) **Revenue Expenditure Funded from Capital Under Statute (REFCUS) (£47.5m CIES + MIRS**) – Ensuring that Revenue Expenditure Funded from Capital Under Statute is accounted for consistently;

d) **Capital Accounting Amendments (£5.4m CIES and £1.9m Balance Sheet)** – a correction required to the split between the revaluation gains and losses charged to the CIES and the Revaluation Reserve, as well as accounting for an asset that was disposed of before the 31st March 2019;

e) **Cash and Cash Equivalents (£13.2m Balance Sheet)** – an adjustment to correctly classify the cash figure within the balance sheet;

f) **Non-Current Assets and the Capital Adjustment Account (£15.6m Balance Sheet)** – amended to include an indexation adjustment due to the likely increase in asset valuations at the balance sheet date;

g) **Movement in Reserves Statements (£11.5m Unusable Reserves)** – a number of adjustments have been required to the MIRS predominantly affecting the General Fund Balance and the Unusable Reserves. The impact being net nil on the General Fund Balance and £11.5m on the Unusable Reserves. These adjustments relate to the REFCUS and Property Transactions listed above and have no impact on the level of usable reserves reflected within the draft accounts; and

h) **Borrowing (Short Term Borrowing + Long Term Borrowing)** – an adjustment of £35m was required to ensure that the authorities borrowing portfolio is accurately represented within the statement of accounts

None of these audit adjustments have affected the outturn position of the Council for 2018-19 as they reflect technical accounting adjustments, which can be subjective by nature.

3.3 It should be noted that there is one unadjusted audit difference, in relation to the accounting for the PFI Schemes.

3.4 The Committee is asked to note the amendments made to the final statements and approve the audited 2018/19 Statement of Accounts.

3.5 There does remain an open objection in relation to the 2018-19 accounts, which EY are still to consider. However this is dependent on the conclusion of the objection from 2017-18 that BDO are yet to report on. The position on the objections does not prevent the Committee approving the 2018-19 accounts which have been audited externally. Rather the objections potentially impact on the external auditor’s ability to issue their Value for Money opinion on the accounts.

4. LESSONS LEARNT

4.1 In light of the challenges experienced in delivering the accounts within the shortened timescales, further improvements have been identified for future years in order to ensure the accounts are prepared in a timely manner and to minimise the level of audit amendments required in future years. In some areas, this will build upon the improvements that have been introduced through ERP Gold. The initial areas identified are summarised below.

4.2 **Resourcing** – following discussion at the Audit Committee in September around resources available to close the accounts and manage the audit, a further Closedown Accountant is in the process of being recruited to. If the recruitment is successful this post should be filled early in the new calendar year ready for the preparation of the 2019-20 accounts and audit.

4.3 **Greater Use of System Functionality in ERP Gold** – a review of the use of ERP Gold as part of the closedown process to identify whether there are specific areas or processes that can be improved.

4.4 **Valuation Approach** – property indexation adjustments have been required again in the 2018-19 accounts to ensure the balance sheet value of property assets is materially accurate at the balance sheet date. The approach of utilising a rolling programme for property valuations with all assets over £5m also being valued does not appear to be provide the required assurance to the auditors. Further consideration needs to be given to this issue and whether an approach to value 100% of property assets each year.

4.5 **Accounts Review** – a more in depth review process will be considered which will potentially involve the wider finance team more fully. This could cover the review of the actual accounts document and a more formal review and quality assurance of the underlying working papers.

4.6 **Audit Timing** – the start of the audit timing will be discussed with EY for 2019-20 given the resource issues that exist in the Closedown team. The aim being to ensure that the audit starts at the optimal time to enable the Closedown team resources to be focussed on the production of the draft accounts as the 31 May deadline approaches.

4.7 A full debrief will be held with EY to explore what went well and where improvements on both sides can be made. The Audit Committee will be kept informed through future update reports on improvements and changes.

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

5.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

5.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

There are no significant implications within this category.

6.2 Statutory, Risk and Legal Implications

These are set out within sector 3 of this report.

6.3 Equality and Diversity Implications

There are no significant implications within this category.

6.4 Engagement and Consultation Implications

There are no significant implications within this category.

6.5 Localism and Local Member Involvement

There are no significant implications within this category.

6.6 Public Health Implications

There are no significant implications within this category.

Source Documents	Location
Code of Practice 2018-19 (based on IFRS) Statement of Accounts 2018-19 Statement of Accounts working papers. Outturn Integrated Resources & Performance Report for 2018-19	Octagon first floor, Shire Hall, Cambridge

CAMBRIDGESHIRE COUNTY COUNCIL
STATEMENT OF ACCOUNTS
AND
ANNUAL GOVERNANCE STATEMENT
2018-2019

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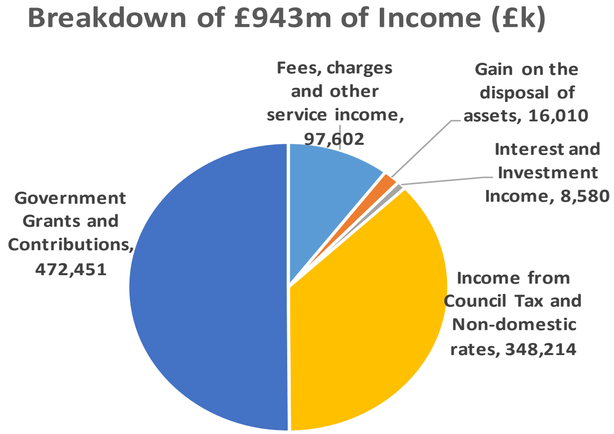
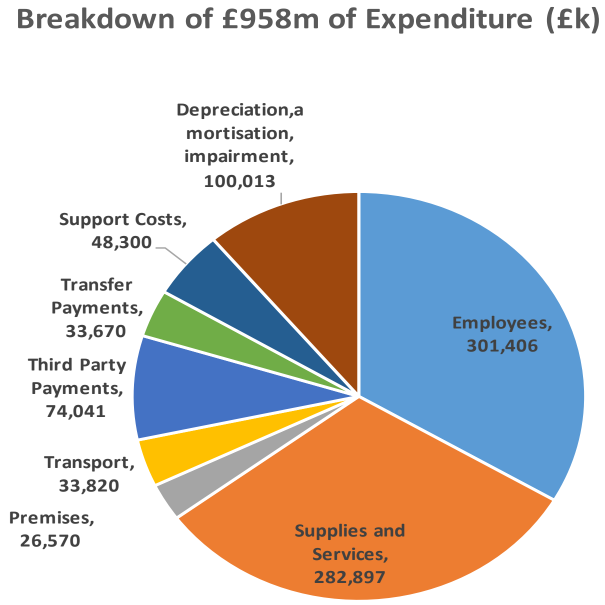
Some of the key numbers for the reader to note are that:

2017-18 Net Expenditure (+) / Income (-)		2018-19 Net Expenditure (+) / Income (-)
375,071	Cost of services	417,468
111,489	Other operating income and expenditure including financing and investment income and expenditure	25,325
-402,571	Taxation and non specific grant income	-427,949
-62,821	Other comprehensive income and expenditure	10,432
21,168	Total comprehensive income and expenditure	25,276





31-Mar-18 £000		31-Mar-19 £000
1,906,299	**Long Term Assets**	**2,083,613**
1,792,337	including property, plant and equipment	1,877,697
149,125	**Current Assets**	**145,538**
99,538	including short term debtors	119,750
-279,655	**Current Liabilities**	**-287,586**
-148,522	including short term borrowing	-170,871
-124,491	including short term creditors	-111,256
-1,023,705	**Long Term Liabilities**	**-1,214,777**
-351,214	including long term borrowing	-430,687
-507,108	including pensions liabilities	-613,107
752,064	**Net Assets**	**726,788**
130,248	Usable reserves	124,590
621,816	Unusable reserves	602,198
752,064	**Total Reserves**	**726,788**

Narrative Report

INTRODUCTION

This document presents the statutory financial statements for Cambridgeshire County Council (the Council) for the period 1 April 2018 to 31 March 2019 and provides a comprehensive summary of the overall financial position of the Council giving a true and fair view.

The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code). Our core financial statements use this format and meet the conditions of the Code.

This narrative statement provides a summary of the most significant matters reported within the accounts and of the Council's financial position at 31 March 2019.

Cambridgeshire County Council

OUR VISION AND AMBITION

We are taking a whole Council approach to delivering these outcomes, with all areas of the organisation responsible for their achievement.

We are becoming an increasingly outcomes-focused Council, making budget, investment and performance decisions based on the contribution of each activity to our priority outcomes:

A good quality of life for everyone

Thriving places for people to live

The best start for Cambridgeshire's children

The Council has continued to transform the way it operates during 2018-19. We have already made over £177m in savings over the last five years. 2019-20 will require us to find a further £13m largely due to inflation and demographic pressures as well as falling central government grant. As our resources come under increasing pressure from demand for services and reductions in Revenue Support Grant by Central Government, we will continue to progress our plans for transforming how we support our citizens.

The Authority is in the fortunate position of having a transformation fund in excess of £20m in order to invest in the innovation and reform agenda in response to that challenge.

The Council's Business Plan, approved at the Full Council meeting on 5th February 2019, outlines these priorities in more detail and is available at: https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans/

FINANCIAL 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: https://www.cambridgeshire.gov.uk/council/finance-and-budget/finance-&-performance-reports/

Performance against the 2018-19 Business Plan

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

Key Performance Indicators (KPIs) are grouped by outcome area and their current status and direction of travel are reported to the General Purposes Committee on a monthly basis.

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

The following table provides a snapshot of the Authority's performance at year end by value and was reported to the General Purposes Committee on 28th May 2019.

Revised Net Budget	Area	Measure	Year End Position
£350.1m	Revenue Budget	Variance (£m)	+£3.2m
-	Key Performance Indicators	Number at target (%)	46% (33 of 71)
£297.3m	Capital Programme	Variance (£m)	-£33.2m
-	Balance Sheet Health	Net borrowing activity (£m)	£568m

The overall revenue budget position was a pressure of £3.2m. This is within a 1% variance of the year-end budget, a considerable achievement. Nonetheless, from a historical perspective and in view of a low level of general reserves relative to statistical neighbours, it is significant and continues a pattern with a similar outturn overspend occurring in the previous year. The overspend would have been twice as high had it not been for a budget transfer of £3.4m from the smoothing fund reserve to support Children's Services during the first quarter. This reflects the major demand-led and therefore financial challenges facing the Council, in common with many other social care authorities across England.

The capital programme variance would also have been below 1% had it not been for two exceptional items of delayed expenditure within the Commercial & Investment domain totalling £30.9m. Broadly, one third relates to re-planning and re-phasing of loan activity to This Land (the Council's housing investment company; loan activity differs from that planned due to changes to actual land values at the point of transfer of property to the company, and actual progress with drawing down loans to fund construction); the other two thirds relates to Commercial property investment opportunities, where acquisitions are made based on assessed criteria in line with the capital strategy and where during 2018-19 appropriate opportunities secured were less than the funds available. Both aspects represent slippage with expenditure now expected to occur during 2019-20.

For the key performance indicators, 46% (33) have been given a green rating, outlining confidence that the target has been met or will be delivered, with 16 being amber rated, and the remaining 22 being red rated.

	Older people live well independently	People with disabilities live well and independently	Adult and children are kept safe	People live in a safe environment	The Cambridgeshire economy prospers to the benefit of all residents	Places that work with children help them to reach their potential	People lead a healthy lifestyle and stay healthy for longer	Total
Green	3	2	1	1	4	5	17	**33**
Amber	0	2	1	1	2	6	4	**16**
Red	2	2	4	1	3	1	9	**22**
Total	**5**	**6**	**6**	**3**	**9**	**12**	**30**	**71**

Revenue spending on Services

The Council's net cost of services for 2018-19 was £417.5m. This figure was £99.3m higher than the net expenditure for the year of £318.2m that was reported to the General Purposes Committee in May 2019. The Statement of Accounts are 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.)
The most significant budget pressures during the year were in Commercial and Investment (C&I) services where the year-end underachievement of income was £6.4m. In fact, this area heralded the creation of two new funding streams which have significantly mitigated the level of frontline savings the Council would otherwise have been required to have made: property investments yielded £1.3m (£0 in 2017/18) and This Land loan interest was £1.8m (£0.1m in 2017/18). Although this is clearly a steep increase in income generation the overall outturn variance reflects falling significantly short of budgetary aspirations. The outlook for these areas in 2019/20 continues this trajectory with a favourable return to the Council secured – further details are given under the Commercial and Investment heading below.

The other major adverse variance in this areas was £1.2m recorded against Cambridgeshire Catering & Cleaning Services. This service, which predominantly provided school meals, was closed on a phased basis during 2018 leading to a number of one-off costs of change and diminishing economies of scale. The decision was taken to close the service based on major rises in cost base and declining financial performance in a competitive market. All former customers have been able to successfully transition into new arrangements for provision of school meals from alternative providers.

The majority of the Council's service delivery is within the ambit of the People's & Communities directorate, including Adults and Children social care as well as education and community services. In this context of significant exposure to demand and changeable need Savings achieved by the directorate totalled £18.6m and an overall overspend of £4.8m was recorded in 2018/19.

For Children's services, the number of looked after children (LAC) has risen even faster than national trends and compared to statistical neighbours since 2016. In March 2019 the number of looked after children was 768 compared to 715 twelve months earlier.

In terms of budgetary impact, LAC services ended the year with a pressure of £2.8m reflecting that those demand levels outstripped the Council's planning expectation. As demand increases relative to supply of care, price levels for external placements also rise, the pressure would have been higher were it not for concentrated activity by the Council's commissioning teams to secure best value and cost effective placements for our young people.

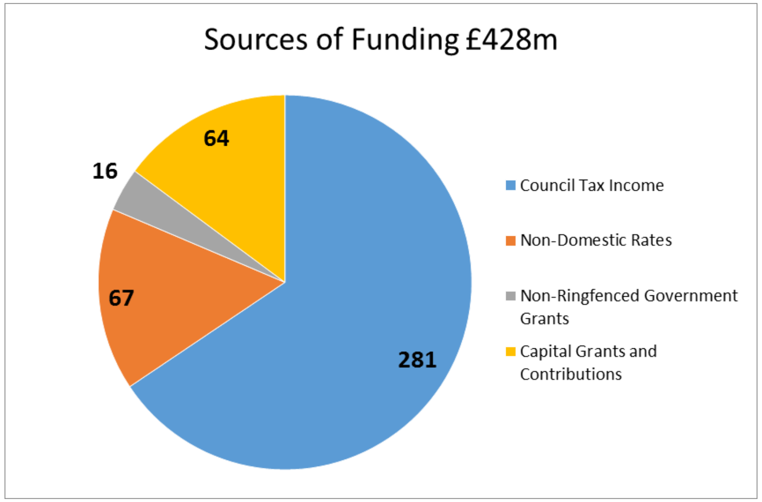
Additionally, there was a 20% increase in pupils attending special schools and a 13% increase in pupils with Education Health Care Plans (EHCPs) over the course of the 2017/18 academic year, as well as an increase in complexity of need resulting in an overspend of £1.5m, on services financed by the general fund. The situation within the high needs block of the dedicated schools grant is even more pronounced. As disclosed within the dedicated schools grant note in this document a deficit of £7.1m was recorded by year-end, with pressures principally from funding high needs top-up funding in mainstream schools, special schools and further education places and out of school tuition.

In Adults Services, the Learning Disability Partnership faced a £2.5m pressure due to increases in demand for services, mainly through changing needs of existing service-users. Due to increase in unit cost of care and the shift in mix of placements towards more expensive types of care at a higher rate than expected the Older People's and Physical Disability Services were overspent by £2m. The Adult's finance position was significantly aided by additional funds received from central government with a £3m increase in the improved Better Care Fund as well as a further adult social care grant announced during the year for £2.34m.

In response to these significant pressures, the Council instigated a cross organisational response to deliver mitigations and offsetting underspends. Significant underspends were delivered on debt financing, reflecting lower than planned levels of capital spending and funding items where additional unringfenced grants were received during the year as well as more minor underspends from vacancy savings in customer services and the public health directorate. Additionally, as a result of the financial pressures mid-year, the Council took the decision to trigger the three days mandatory unpaid leave for all staff paid at £26k or higher, exercising a contractual clause available agreed through collective agreement. This delivered a one-off expenditure reduction of £0.9m, making a significant contribution to mitigating the outturn performance.

The £3.2m (0.9%) year-end overspend was balanced by drawing on the general fund and earmarked reserves; the Council restores the general fund reserve to its planned level (3% of net current expenditure) as part of the annual business planning.

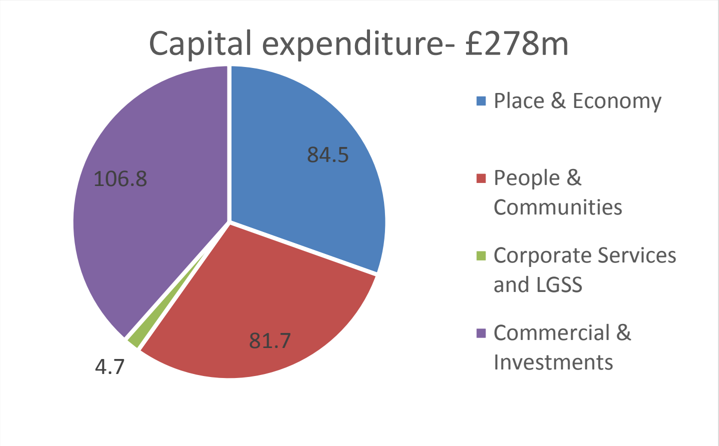
The Council's net budget is mainly financed through council tax, business rates and government grant, and totals £428m as shown below:



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 (page 37).

Capital spending and financing

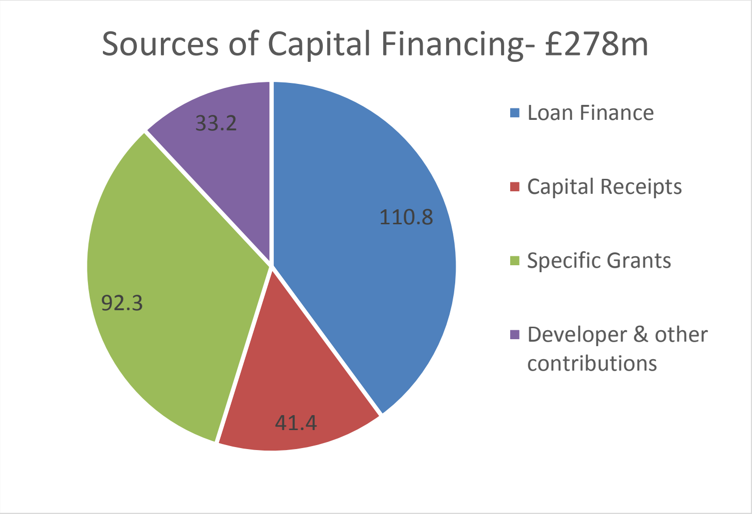
The Council's adjusted capital budget for the year was £297.3m plus £26.1m Greater Cambridge Partnership budget. Actual capital expenditure financed from capital resources for the year was £281.9m, leaving £41.5m of the adjusted capital budget unspent (13%) at the year end. This was largely due to the timing of spending and does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not occurred as quickly as anticipated. In 2018/19 this related in the main to Commercial Investments (£36.5m) and Housing Schemes (£19.7m). The Council considers investment opportunities as they arise and has not been successful on all occasions; made when the yield is in line with the Council's acquisitions strategy. The expenditure on Housing Schemes equate to the level of loans made to This Land, which reflects the level of progress through the planning system (and therefore the value of land and corresponding loans to be issued). The level of loans issued to This Land in 2018-19 was lower than originally anticipated. It is now expected that loans with respect to overage (uplift in value) for sites that have previously been sold without planning permission as well as construction will be made in 2019-20. Other than the Commercial Investments and Housing Schemes, the fact that the overall performance is much closer to budget than previous years is encouraging, and reflects the use of a variations budget to account for an expected level of slippage which is inherent within capital projects.



The chart outlines the £278m investments made during the financial year (in millions of pounds).

The cost of borrowing has been factored into the 2018-19 debt charges outturn position, as well as being accounted for within the 2019-2024 Business Planning process.

The following chart outlines how the £278m capital expenditure was financed this year (in millions of pounds):



Loan finance is undertaken through borrowing, typically from the Public Works Loan Board (PWLB), where the Council subsequently meets interest and repayment costs from its own resources.

The Council received £61.8m of Capital Receipts in year, of which £41.4m was used to fund the capital programme. It makes sense for the Council to coincide these activities of capital receipts from This Land and investment into yield bearing real estate, meaning that there is a dual revenue benefit from the capital advance of loans to This Land, interest on loans, and application of capital receipts into new assets with rental revenue streams.

Cambridgeshire County Council

Reserves

The Council's total reserves have decreased in-year by £25.3m, to £726.8.m, at 31 March 2019. This balance comprises £124.6m (17%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £602.2m (83%) of 'unusable' reserves (those that an authority is not able to utilise to provide services, e.g. the revaluation reserve which contains the gains arising from increases in the value of certain assets, which will not release cash until the assets are sold). The usable reserves have decreased in-year by £5.7m from £130.3m to £124.6m, largely for intended purposes including capital financing (see Movement in Reserves Statement and note 32) and the unusable reserves have decreased by £19.6m from £621.8m to £602.2 m, mainly as a result of technical accounting adjustments impacting upon the Pensions Reserve, Revaluation Reserve and Capital Adjustment Account (see note 21).

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 2019, these reserves stood at £76.9m. Of this balance, the General Fund comprised £12.8m (3% of the net 2018-19 budget) and reserves earmarked for specific purposes totaled £64.1m, including £6.9m under the control of locally managed schools, a £25.3m transformation fund which will be used for proposals to generate further savings in future years, and £4.1m to cover insurance risks.

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

General Fund and Earmarked Reserves	£m
Balance at 1st April 2018	80.2
General Fund	(0.5)
Schools Carry Forwards	(7.3)
Other Earmarked Reserves	4.5
Balance at 31st March 2019	76.9

Assets and liabilities

The Council's cash and cash equivalents position decreased in the year by £17.8m from £39.3m at 31 March 2018 to £21.5m at 31 March 2019. The £17.8m balance at 31 March 2019 reflected the decrease in short term borrowing of £17.6m, from £148.5m to £130.9m at 31 March 2018.

During 2018-19, the net assets of the Council and its Balance Sheet value, decreased by £25.3m (a 3.4% reduction) from an opening balance of £752.1m to a closing balance of £726.8m at 31 March 2019. The material items which caused this net decrease were the utilisation of usable reserves (£5.7m), an increase in the Pension liability of £106.0m. This was partially offset by an increase of £60.2m of the Capital Adjustment Account and Revaluation Account.

External borrowing and investment

Total debt outstanding at 31 March 2019 was £601.6m (consisting of £430.7m long term borrowing and £170.9m short term borrowing), which was well within the maximum limit determined in accordance with legislation of £929.3m. There was a net increase of £79.5m in long-term loans in the year and a net increase of £22.3m 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.

KEY PROJECTS AND ACTIVITIES

Connecting Cambridgeshire

connecting CAMBRIDGESHIRE
Superfast broadband across Cambridgeshire & Peterborough

Connecting Cambridgeshire is improving the County's digital connectivity to drive economic growth, help our communities to thrive and make it easier to access public services. The superfast broadband rollout has already brought high speed internet access to over 97% of the county's homes and businesses that would not be able to get it otherwise, and is aiming to reach 99% superfast coverage over the next two years. The programme has been extended to significantly improve mobile and public Wi-Fi coverage, while securing future proof full fibre and 5G networks by 2022. It has established an innovative Enabling Digital Delivery (EDD) team to work with telecoms providers and mobile operators to remove the barriers to the rapid delivery of digital connectivity, make best use of public sector assets and attract private sector investment. The Smart Cambridge programme is also exploring how data and emerging technology can be used to develop innovative solutions to improve the quality of life in our towns and cities. www.connectingcambridgeshire.co.uk

Greater Cambridge Partnership (GCP)

The Greater Cambridge Partnership is the local delivery body for a City Deal with central Government, bringing powers and investment to vital improvements in infrastructure and technology, supporting and accelerating the creation of 44,000 new jobs, 33,500 new homes and 420 additional apprenticeships.

The partnership of councils, business and academia will work together, and with partners and local communities, to grow and share prosperity and improve quality of life for the people of Greater Cambridge, now and in the future. Signed in 2014 it brings key partners together to work with communities, businesses and industry leaders to support the continued growth of one of the world's leading tourism and business destinations.

The GCP's City Deal is worth up to £500 million in funding to 2030 for transport infrastructure, smart technology, accelerating housing delivery and tackling the skills shortage faced by businesses in the area. £100 million of government funding has been made available until 2020. A further fund of up to £400m will be available if initial investments are successful in supporting economic growth. The GCP will also generate local funding, for example through Section 106 agreements with developers, and explore private funding opportunities. This complements and sits alongside existing capital expenditure plans in the area.

For further details please visit www.greatercambridge.org.uk

This Land Group (Housing Investment)

The Council is in the fortunate position of continuing to be a major landowner in Cambridgeshire. In view of the economic conditions for housing development, the Council has established a company, This Land, which enables the Council to develop its own land rather than sell it for capital receipts. The company has developed an initial 10-year pipeline of sites, with the objective of delivering more than 1500 homes. The Council is the sole shareholder of This Land Limited (and the ultimate parent of its wholly owned subsidiaries).

By the 31 March 2019, the Council had sold twenty-six sites to This Land (with a twenty-seventh acquired by the company from a third party). These are predominantly areas of the county farms estate with development potential as well as several urban sites that are no longer required for operational purposes. The Council also advanced a £7.6m loan to This Land in December 2018 to bridge cash flow needs such as professional fees and staffing costs required to progress planning permissions and preliminary to construction commencing. The company repaid its initial start-up loan during 2018, according to schedule. At the balance sheet date a total of £91.3m of financing was on-loan to This Land from the Council, of this £50.6m had been advanced in Q4, and across the year interest received on This Land loans was £1.8m. The Council holds security over the loans by

way of mortgages on the properties transferred providing collateral and risk mitigation. In addition to loan financing, the Council holds £3.951m in equity shares in This Land.
The company continues to advance with its business plan and housing development activity, a permanent finance director was recruited by the company in October 2018 and five non-executive directors joined the board during the year providing a wealth of legal, financial, construction and development expertise to support and challenge the company, led by Steven Norris as independent Chairman.

The company's first development site is nearing completion at Milton Road, which will see the provision of a new library and community facility with residential accommodation on the floors above.

For further details please visit www.this-land.co.uk

Cambridgeshire and Peterborough Combined Authority
The Cambridgeshire and Peterborough Combined Authority (CPCA) was constituted in March 2017. The authority is made up of representatives of the seven local Councils in Cambridgeshire and Peterborough along with the Local Enterprise Partnership. It is led by a Mayor, directly elected for the first time in May 2017. As part of a devolution deal with government, the responsibilities of the CPCA include local economic growth, housing, transport and infrastructure improvements and adult skills.

The CPCA now receive the Integrated Transport Block, Highways Maintenance Block and Pothole Action Fund grants from the Department for Transport (DfT) rather than the County Council. The combined value of these funding streams in 2018/19 was £19.8m. CPCA has the power to top-slice the grant allocations before passing them on to the County Council however, for 2018-19, this power was not utilised and thus the funds were effectively passported to the County Council in line with the original DfT allocation and there was therefore no net effect on the Council's accounts.

The CPCA is now responsible for passenger transport services and is able to levy the County Council. The levy for Cambridgeshire in 2018/19 would have been £9.0m but as the Council continues to provide the services under a delegation agreement with the CPCA there is no cash transferred to the CPCA.

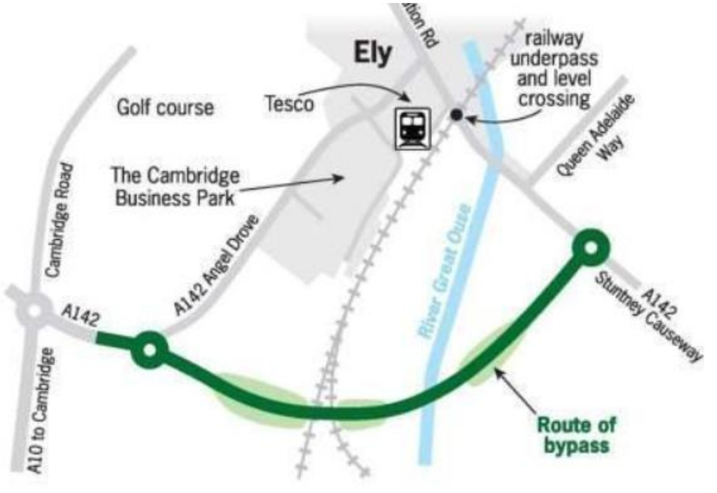
In March 2018, the County Council, along with the other constituent Councils, consented to a widening of the CPCA's powers to borrow. This was followed in May 2018 by County Council consent to devolution of the Adult Education Budget to the CPCA and the facility to raise an additional levy on business rates.

Meanwhile, the Greater Cambridge Peterborough LEP, for which the County Council had been the accountable body, ceased to operate as of 1 April 2018. A new LEP known as the "Business Board" and supported by the CPCA has been established as a successor. The CPCA, rather than the County Council, is the accountable body for the new LEP.

The Combined Authority's website is at: www.cambridgeshirepeterborough-ca.gov.uk

Ely Southern Bypass

This large and complex engineering project to bypass the infamous level crossing and low bridge on the A142 in Ely, was opened to traffic in October 2018.



Ely Southern Bypass map

The construction faced a number of challenges, including poor and highly variable ground conditions, complex structural designs needed to mitigate the visual impact on the landscape raised by objectors at the planning stage and coordination of work and safety in lifting a large bridge over a live railway.

A pedestrian walkway attached to the river bridge and linking two footpaths on either side of the river and flood plain opened in January 2019. Closing the old level crossing and improvements for pedestrians under the low bridge were the final parts of the scheme which were completed in March 2019.

The primary objective of removing traffic from the low bridge and the station area has reduced delays and has been well received. Further evaluation to quantify the impact on traffic in Ely and the surrounding area will be undertaken when the road has been open for a year.

Along with removal of congestion in the area and the associated costs of delays, the scheme provides opportunities for redevelopment of the station area and wider economic benefits in facilitating development.

Kings Dyke

The scheme is designed to remove delays caused by the level crossing at King's Dyke on the A605 between Whittlesey and Peterborough. The delay caused by the level crossing is a longstanding problem and the scheme is strongly supported locally. The available route presents some engineering challenges in respect of ground conditions and the close proximity of a deep, disused clay extraction pit.

The contract to undertake the detailed design and to provide a target price is close to completion. As the design has been developed a number of issues have arisen that have added to the cost of the scheme. Work is underway to reduce the forecast cost. The main contractor will be appointed to undertake full construction as soon as possible, when a target cost has been finalised. Work to agree the construction methods and gain Network Rail approval for the new rail bridge is well advanced.

The scheme has started on site with some advanced work being undertaken to divert services and clear the site.

Property Investment: Brunswick House

The Council acquired is first commercial property investment in July 2018 for £38m; Brunswick House in Cambridge. This is a high quality student accommodation located in the heart of the city and providing 252 study-bedrooms. Ideally located adjacent to Anglia Ruskin University, and constructed in 2012, the facility has good access to local facilities in the Grafton Centre and on Newmarket Road and is only a short walk to the centre of Cambridge and the River Cam.

The Council purchased the property in order to diversify and increase income streams available to the Council, helping to protect frontline services, notwithstanding reducing government grant and rising demand. However, the investment also provides the additional benefits of:

- Supporting sustainable and well managed student accommodation, held in local ownership in Cambridge, one of the world's leading student cities.

- Encouraging inward economic investment: directly and indirectly supporting jobs in the education sector, a key industry in the county's economy.

The property is expected to generate an annual net return starting at £1.9m; which is a net initial yield of 4.9%. The part-year income generated in 2018-19 was £1.3m.

Property Investment: CCLA Local Authorities Property Fund

Following a revision in treasury management strategy in February 2019, enabling treasury investments to exceed a 364 day timescale, the Council also invested £11m into the CCLA Local Authorities Property Fund during the financial year. Taking account of the large proportion of treasury investments that were held as cash or cash equivalents, the Council assessed that funds could be moved onto a longer term footing. The fund operates on a pooled basis with properties across the UK in a range of sectors providing mitigation against income and valuation risks impacting certain geographies or property types disproportionately.

Neighbourhood Cares

Neighbourhood Cares is a project which aims to help people find the support they need locally to help them live independently. Most people want to be independent and do not want local authority social care involved in the choices, risks and decisions around how they live their lives. Those who do require support prefer to get help from within their local community, and for it to be tailored to meet their individual needs.

An innovative model building on the Buurtzorg model developed in the Netherlands, the Council's Neighbourhood Cares pilots operated during the year in Soham and St Ives. Neighbourhood Cares workers will help people to find support within their community. This might mean helping someone to find support to live with the effects of a stroke, or putting someone who is lonely in touch with a friendship group or social club. It could mean finding support for carers, or helping those who are struggling with bereavement. The project continues and is being evaluated during 2019 for a wider roll out.

Pensions

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

The estimated pension deficit for the Council, measured on an actuarial basis, has increased from £507.1m at 1 April 2018 to £613.1.m at 31 March 2019. Pension contributions of £29.7m were made during 2018-19, with the pension liability worsening by £161.1m (largely as a result of changes to the actuarial financial assumptions) with the value of the Fund's assets increasing by £55.1m. Overall this has resulted in a £106.0m increase in the deficit amount (see note 36).

LGSS Summary

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

It is governed by a Joint Committee with the financial transactions of each shareholder council included in the respective council's statutory accounts. Savings to CCC from LGSS, up to 2017-18, amount to £8m per annum; Cambridgeshire is in the lowest quintile for costs per capita of back office services compared to other County Councils.

For 2018-19 LGSS expenditure was £28.6m with a budget set at £28.8m, resulting in a £0.2m surplus. Cambridgeshire County Councils share of the LGSS surplus was £112k, which has been applied to reserves.

During 2019 the operating model for LGSS has been under review, in order to focus the organisation on transactional functions going forward and in anticipation of local government reorganisation in Northamptonshire. As a first stage, Finance Business Partners and Democratic Services teams are scheduled to "repatriate" to the County Council from LGSS during October 2019.

ERP Gold

ERP Gold is the Enterprise Resource Planning business system utilised by the County Council which was implemented in April 2018 both at Cambridgeshire and the other LGSS partners. Supplied by Unit4, ERP Gold is the Council's accounting and payroll software and provides a wide range of self-service business processes from financial monitoring and budgeting, to requesting leave and reviewing payslips.

Implementation of the system delivered savings to CCC exceeding £0.5m in 2018-19 and over 7 years delivers savings of more than £9.8m to the three partner Councils. Transitioning to ERP Gold has been a major programme, perhaps unrivalled in complexity across local government in on boarding three principal authorities to such a key system simultaneously. As would be expected with any new system, the transition has been challenging in some areas as staff and system users across the organisation adjust to new ways of working. At the start of the financial year this led to some delays in the processing of payments through the new system, however a business as usual performance level had been reached by the autumn. ERP Gold has also brought significant benefits in terms of system rationalisation and the capacity to support locally rather than ongoing reliance on a third party supplier for support.

Joint working with Peterborough City Council

The Council has continued to work closely with Peterborough City Council during 2018-19 deepening the extent of shared services. Since the Chief Executive position was first shared in 2015 a number of further opportunities have been taken to share management teams and operate strategically across the whole geography on the same terms as other public sector partners such as the NHS, Police and Fire Service. During 2018-19, joint roles were formally established at director level for Children's, Adults, Education, Commissioning and Community services and more recently for Business Improvement and Digital & Customer Services, and over 200 other roles are now operating in shared arrangements, under section 113 arrangements with Peterborough.

Workforce Profile

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

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

THE STATEMENT OF ACCOUNTS

The purpose of these accounts is to present a true and fair view of the financial results of the Council's activities for the year ended 31 March 2019, and to summarise the overall financial position of the Council as at 31 March 2019. This section provides an overview of the financial performance of the Council. The Statement of Accounts brings together the major financial statements for the Council for the financial year 2018-19. The various sections, and their contents, are as follows:

Statement of Responsibilities, Certificate and Approval of Accounts (page 29)

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.

Independent Auditors' Report to Members (page 31)

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. The independent auditor also gives an opinion on the Council's use of resources and value for money.

Comprehensive Income and Expenditure Statement (page 37)

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

The net cost of services for 2018-19 across the Council's directorates was £417.5m. After taking into consideration other operating expenditure, financing and investment income/expenditure, grant income, and income from taxation (Council Tax and Business Rates), the Council's deficit on the provision of services was £14.8m.

Movement in Reserves Statement (page 38)

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

The headline figures from this statement are that the Council's General Fund and earmarked reserves have reduced overall by £3.3m in 2018-19. The balance in the Capital Grants Unapplied Reserve has decreased by £22.8m due to the net effects of income received in year, reclassifications and the funding of capital expenditure in 2018-19. The Council's Unusable Reserves have decreased by £21.1m, largely as a result of technical accounting adjustments impacting upon the Pensions Reserve, Revaluation Reserve and Capital Adjustment Account.

Balance Sheet (page 39)

The Balance Sheet presents the value of the Council's current and non-current assets and liabilities as at 31st March 2019 with the bottom line effectively being the net worth of the organisation. The net assets of the Council (assets less liabilities) are matched by the level of 'usable' and 'unusable' reserves held. Usable reserves are those resources that the Council may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. Unusable reserves include those that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences as shown by the 'adjustments between accounting basis and funding basis under regulations' line in the Movement in Reserves Statement.

The headline figures from this statement are an increase of £34.4m in investment property from £9.1m as at 31st March 2018 to £43.5m as at 31st March 2019, a decrease of £6.2m in assets held for sale from £9.4m as at 31st March 2018 to £3.2m as at 31st March 2019, a decrease of £17.8m in cash and cash equivalents from £39.3m as at 31st March 2018 to £21.5m as at 31st March 2019, a decrease of £17.6m in short term borrowing from £148.5m as at 31st March 2018 to £130.9m as at 31st March 2019, and an increase of £11.2m in long term capital grants and contributions received in advance from £40.9m to £52.0m.

Cash Flow Statement (page 40)

This Statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. It outlines the changes in the cash and cash equivalents, for example changes in debtor balances (those owing the Council

money) and creditor balances (those which the Council owes money to) during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
The headline figures from this statement are that during 2018-19 the Council's cash and cash equivalents decreased by £17.8m from £39.3m as at 31st March 2018 to £21.5m as at 31st March 2019.

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

Expenditure and Funding Analysis (page 50)

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

The decrease in the General Fund is £3.3m, the net expenditure chargeable to the Council's General Fund Reserve was £0.5m with a £2.8m net reduction to earmarked reserves in order to meet in the year financial pressures. This differs from the income and expenditure shown in the CIES by £11.6m. This difference comprises a number of technical accounting adjustments which the Council is required to make by the Code, including capital charges such as depreciation, actuarial pension adjustments and adjustments to the Collection Fund. A reconciliation of these adjustments is shown in note 6 to the accounts.

Notes to the core financial statements (page 47)

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 material 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 139)

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

RISK MANAGEMENT AND ARRANGEMENTS FOR VALUE FOR MONEY

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

Members exercise strategic leadership by developing the Council's vision and priorities and keeping these under-review. There is an established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources. The Annual Governance Statement on page 227 sets out the Council's wider approach to risk management.

The corporate risk register is provided to the General Purposes Committee on a bi-monthly basis and regularly reviewed by the Strategic Management Team. The register documents key risks including: failure to protect vulnerable children and adults, non-delivery of the business plan/budget, service disruption due to a major/serious incident and that resources (human resources and technology) are insufficient to meet business need. As a result of mitigating measures and controls, none of these risks is currently assessed as red on the Council's likelihood and impact matrix.

The Council's Scheme of Financial Management sets out the internal regulatory framework for financial control, procurement compliance and resource distribution. (The Scheme received a comprehensive review and update in April 2019 following completion of the first year using the ERP Gold financial system). Following the agreement of the budget by Members, savings delivery is closely monitored through a "tracker methodology" alongside monthly reporting to Council Committees.

FUTURE CHALLENGES AND MEDIUM TERM OUTLOOK

Looking forward, cost pressures are forecast to outstrip available resources. Cambridgeshire is one of the fastest growing counties in England. These demographic pressures combine with rising costs caused by inflation, including the rising national living wage, and reducing levels of funding as part of a medium term economic outlook which is uncertain. Consequently, the Council needs to make significant savings to close the budget gap.

The following table illustrates the current size of the challenge that lies ahead (as presented to Council on the 5th February 2019), as it sets out the latest annual savings requirement:

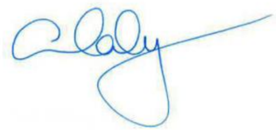
	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	Total £000
Total Savings Requirement For The Year	**13,290**	**22,439**	**11,933**	**8,087**	**5,527**	**61,276**
2019-20 Ongoing savings		13,290	13,290	13,290	13,290	
2020-21 Ongoing savings			22,439	22,439	22,439	
2021-22 Ongoing savings				11,933	11,933	
2022-23 Ongoing savings					8,087	
Total Savings For The Year (Including Ongoing Savings)	**13,290**	**35,729**	**47,662**	**55,749**	**61,276**	

There is a robust and well established business planning process across the organisation, governed by the pyramid of Committee structures, to respond to this challenge. There is considerable uncertainty surrounding the UK's public finances not least due to uncertainty around our future relationship with the European Union following Brexit. In addition, reviews of local authority relative needs and resources and 75% business rates retention are currently ongoing. These new models for local government funding could significantly impact the financial resources available to the Council. The Council has therefore made prudent assumptions about a declining level of revenue support grant from Central Government continuing into negative territory in future years. The County Council is pursuing a fairer funding campaign to improve this funding outlook in line with the growing population and fairness to local taxpayers.

The Council has a track record of developing savings plans emerging from political priorities, officer initiatives and workshops and external/peer challenge to present robust and balanced budgets. Management action continues throughout the budgetary cycle to develop in-year financial mitigations, offsetting new pressures and shortfalls in savings delivery as these emerge

CONCLUSION

I am extremely grateful to all the finance staff and others involved with budgetary control across the Council, for the support and enthusiasm that they have brought to the many and challenging tasks they have faced, and who have worked hard to close the accounts to a demanding timescale.



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

FURTHER INFORMATION

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

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

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

Statement of Responsibilities, Certificate and Approval of Accounts

Cambridgeshire County Council

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, including those of the Pension Fund, 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.

Statement of Responsibilities, Certificate and Approval of Accounts

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 2019 and its income and expenditure for the year 2018-19 and authorise the accounts for issue.

Chris Malyon
Chief Finance Officer
Date:

APPROVAL OF ACCOUNTS

I confirm that these accounts were approved by the Council at the meeting of the Audit and Accounts Committee held on XX-XXXX-2019.

Signed on behalf of
Cambridgeshire County Council:

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

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Core Financial Statements

Comprehensive Income and Expenditure Statement

2017-18 (RESTATED) Gross Expenditure £000	Gross Income £000	Net Expenditure (+) / Income (-) £000		Note	2018-19 Gross Expenditure £000	Gross Income £000	Net Expenditure (+) / Income (-) £000
138,091	-50,826	**87,265**	Place & Economy		110,267	-29,915	**80,352**
693,106	-430,121	**262,985**	People & Communities		694,753	-399,890	**294,863**
27,156	-26,505	**651**	Public Health		26,555	-26,023	**532**
19,680	-4,123	**15,557**	Corporate Services & LGSS Managed		31,752	-8,819	**22,933**
15,870	-18,575	**-2,705**	Commercial & Investment		23,416	-16,106	**7,310**
22,059	-10,741	**11,318**	LGSS Operational		21,043	-9,565	**11,478**
915,962	**-540,891**	**375,071**	**Cost of Services**		**907,786**	**-490,318**	**417,468**
73,935	0	**73,935**	Other operating income and expenditure	9	391	-16,009	**-15,618**
40,898	-3,344	**37,554**	Financing and investment income and expenditure	10	44,694	-3,751	**40,943**
0	-402,571	**-402,571**	Taxation and non specific grant income	11		-427,949	**-427,949**
		83,989	**Surplus (-) or Deficit (+) on Provision of Services**				**14,844**
		-56,010	Surplus (-) or deficit (+) on revaluation of property, plant and equipment	22			**-105,162**
		17,567	Impairment and revaluation loss charged to the revaluation reserve	22			**52,161**
		-24,378	Remeasurement of net pension benefit/liability	36			**63,433**
		-62,821	**Other Comprehensive Income (-) and Expenditure (+)**				**10,432**
		21,168	**Total Comprehensive Income (-) and Expenditure (+)**				**25,276**

The purpose of this statement is explained in the Narrative Report (Page 4).

Movement in Reserves Statement

	General Fund * £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves Total £000	Unusable Reserves Total £000	Reserves Total £000
Balance at 1-Apr-17	**86,705**	**1,116**	**69,957**	**157,778**	**615,454**	**773,232**
Movement in 2017/18						
Total comprehensive income and expenditure	-83,989	0	0	-83,989	62,821	-21,168
Adjustments between accounting and funding basis under regulations (note 18)	77,471	-1,116	-19,896	56,459	-56,459	0
Increase (+) or decrease (-) in 2017-18	-6,518	-1,116	-19,896	-27,530	6,362	-21,168
Balance at 31-Mar-18	**80,187**	**0**	**50,061**	**130,248**	**621,816**	**752,064**
Movement in 2018/19						
Total comprehensive income and expenditure	-14,844	0	0	-14,844	-10,432	-25,276
Adjustments between accounting and funding basis under regulations (note 18)	11,576	20,443	-22,833	9,186	-9,186	0
Increase (+) or decrease (-) in 2018-19	**-3,268**	**20,443**	**-22,833**	**-5,658**	**-19,617**	**-25,276**
Balance at 31-Mar-19	**76,919**	**20,443**	**27,228**	**124,590**	**602,199**	**726,788**

The purpose of this statement is explained in the Narrative Report (Page 4).

Balance Sheet

31-Mar-18 £000		Note	31-Mar-19 £000
1,792,337	Property, plant and equipment	22	1,877,697
21,214	Heritage assets	23	18,660
9,101	Investment property	22	43,466
4,781	Intangible assets		8,298
400	Long term investments	25	12,660
78,466	Long term debtors	24	122,832
1,906,299	**Long Term Assets**		**2,083,613**
0	Short term investments	25	325
9,447	Assets held for sale	22	3,231
860	Inventories		773
99,538	Short term debtors	27	119,750
39,280	Cash and cash equivalents	28	21,459
149,125	**Current Assets**		**145,538**
-148,522	Short term borrowing	25	-170,871
-124,491	Short term creditors	29	-111,256
-3,714	Provisions		-2,454
-2,928	Capital grants and contributions received in advance	32	-3,005
-279,655	**Current Liabilities**		**-287,586**
-5,824	Provisions		-6,184
-351,214	Long term borrowing	17	-430,687
-625,731	Other long term liabilities	30	-725,854
-40,936	Capital grants and contributions received in advance	32	-52,052
-1,023,705	**Long Term Liabilities**		**-1,214,777**
752,064	**Net Assets**		**726,788**
130,248	Usable reserves	20	124,590
621,816	Unusable reserves	21	602,198
752,064	**Total Reserves**		**726,788**

Note: A restatement of unusable reserves relating to a prior period error has taken place, however a third balance has not been presented as there is no change to any Balance Sheet line balances (see note 38 for details).

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 2019 and its income and expenditure for the year 2018-19 and authorise the accounts for issue.

Chris Malyon
Section 151 Officer
Date:

The purpose of this statement is explained in the Narrative Report (Page 4).

Cash Flow Statement

2017/18 £000		2018/19 £000
83,989	**Net Deficit on the Provision of Services**	**14,844**
-37,331	Depreciation	-38,543
-12,142	Impairment and downward valuations	-22,497
-288	Amortisation	-1,886
4,957	Increase(-)/Decrease in Creditors	8,504
4,238	Increase/Decrease (-) in Debtors	64,578
-64	Increase/Decrease (-) in Inventories	-87
-21,619	Movement in Pension Liability (difference between employer's contributions paid and IAS19 adjustments)	-37,950
-76,635	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-49,443
4,440	Other non-cash items charged to the deficit on the provision of services	16,016
-134,444	**Adjustments to the net deficit on the provision of services for non-cash movements**	**-61,309**
2,893	Proceeds from the sale of property, plant and equipment	65,144
58,380	Grants for financing capital expenditure	11,965
-28,114	Any other items for which the cash effects are investing or financing activities	0
33,159	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**77,109**
-17,296	**Net Cashflows from Operating Activities**	**30,644**
96,633	Purchase of Property, Plant and Equipment	160,224
28,170	Purchase of short-term and long-term investments	12,585
0	Proceeds from short-term and long-term investments	0
-3,407	Proceeds from the Sale of Property, Plant and Equipment	-65,144
-72,089	Capital Grants Received	-23,157
49,307	**Investing Activities**	**84,508**
-300,000	Cash Receipts of short and long-term borrowing	-367,947
	Other Receipts from financing actvities	0
1,731	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	4,492
242,162	Repayments of short and long-term borrowing	266,125
-56,107	**Financing Activities**	**-97,330**
-24,096	**Net Increase (-)/Decrease in cash and cash equivalents**	**17,821**
15,184	Cash and Cash equivalents at the beginning of the reporting year	39,280
39,280	**Cash and Cash equivalents at the end of the reporting year**	**21,459**

The purpose of this statement is explained in the Narrative Report (Page 4).

03. Notes to the Statements

1. ACCOUNTING POLICIES

For the Accounting Policies refer to Appendix 1.

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

The Code of Practice on Local Government Accounting in the United Kingdom 2018-19 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2019-20 Code. The 2019-20 Code has recently been published, and the new standards are not expected to have a material impact on the 2018-19 or 2019-20 Accounts.

The standards that may be relevant for additional disclosures that will be required in the 2018-19 and 2019-20 financial statements in respect of accounting changes that are introduced in the 2019-20 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- Annual improvements to IFRS Standards 2014-16 Cycle
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation.*

CIPFA/Local Authority Accounts Advisory Committee (LASAAC) have deferred implementation of IFRS16 *Leases* for local government to 1 April 2020. The standard will require local authorities who are lessees to recognise, where applicable, leases on their balance sheet as right-of-use assets, with corresponding lease liabilities (there is no recognition for low-value and short-term leases).

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:

- 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 elements of Cambridgeshire's existing Street Lighting network (those elements beyond their useful life), and subsequent maintenance until 2036; and
  - Equitix Learning Community Partnerships – for the construction of Thomas Clarkson Academy (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 Academy 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.

- Heritage assets held on deposit to the value of £18.7m have been included within the Council's Heritage Asset balance. Many of these deposits have been made without any kind of formal agreement that states who retains ownership, and for how long the deposit has been made. The Council has reviewed these items to determine when they were placed on deposit, and for the vast majority of items the deposits were made between 1934 and 1989. As such, given the long-term nature of the deposits, the Council has concluded that it effectively retains control of all assets on deposit and has therefore included these values within the Heritage Assets balance.

- The Council has judged that the stipulation in its Section 106 agreements, regarding a requirement for it to use funds within a set timeframe, is a condition attached to the provision of the funding. The Council has applied this judgement across all of its Section 106 agreements which in 2018-19 results in the recognition of £55m receipts in advance liability.

- The Council previously judged that the appropriate accounting treatment for the City Deal funding from Central Government to the Greater Cambridge Partnership (GCP) of £20m per year from 2015-16 to 2019-20 was the recognition of the total funding as a grant in 2015/16, along with of a debtor for £80m. This accounting treatment continues to be applied with a further £20m received in 2018-19, reducing the debtor balance to £20m.

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 2019 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 analysis involves either a) a desktop valuation of assets over a certain value, b) a market review undertaken by the Council's external valuers, and if necessary, c) an indexation analysis that assesses when a depreciated replacement cost asset was last revalued and applies an index to it based on Building Cost Information Service forecasts and land value calculations for every year since it was last revalued.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However,	The Council uses the Discounted Cash flow model to measure the Existing Use Value of some of its investment properties, surplus properties, Assets Held for Sale and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels and discount rates – adjusted for regional factors.

	changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in note 26 below.	Significant changes in any of the unobservable inputs would result in significantly lower or higher fair value measurement for the investment properties, surplus properties, Assets Held for Sale and financial assets.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the pension's liability of changes in individual assumptions can be measured. For instance: • 1 year increase in member life expectancy would result in an increase in the liability of approximately 3%-5%; • 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £152m (9%); and • 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £133m (8%).

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 9 schools have, or are expected to open or convert to Academy status before the 31 March 2020, with further new schools opening and conversions expected to take place in future years. By the end of the 2019-20 financial year, it is expected that local authority maintained schools with a current net book value totalling £76m will have converted to Academy status since the Balance Sheet date. As with schools already converted, the assets of these schools will be derecognised from the Council's Balance Sheet in 2019-20.

Assets and Loans

The This Land Group completed an asset purchase of land from Cambridgeshire County Council in April 2019. The value of this disposal totalled £13.2m. In addition, the Council also purchased £2.0m of equity in the This Land Group in April 2019. It is expected by 31 March 2020 that a further £11.2m of sales will have been completed, a further £47.6m of loans will have been issued and equity worth a further £0.6m will have been purchased.

Commercial Investments

On 24 May the Council acquired Cromwell Leisure Park in Wisbech for £6.558m as its second commercial investment property.

On 26 April 2019 a new joint venture was incorporated to derive a commercial return from digital infrastructure assets in the greater Cambridge area. Known as Light Blue Fibre Ltd, the company is 50% owned by the Council and 50% by the University of Cambridge. As at the date when this Statement of Accounts was authorised for issue by the Chief Finance Officer no transactions had occurred via the company.

Comprehensive Income and Expenditure Statement Supporting Notes

6. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
The "Other income and expenditure" line relates to all income and expenditure outside of the Net cost of services. This includes the following lines within the Comprehensive Income and Expenditure Statement; Other operating expenditure, Financing and investment income and expenditure, Taxation and non-specific grant income and expenditure.

2017-18 (RESTATED)				2018-19		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
58,840	28,425	**87,265**	Place & Economy	57,909	22,442	**80,352**
229,219	33,766	**262,985**	People & Communities	243,570	51,293	**294,863**
386	265	**651**	Public Health	629	-97	**532**
24,004	-8,447	**15,557**	Corporate Services & LGSS Managed	15,944	6,989	**22,933**
-10,947	8,242	**-2,705**	Commercial & Investment	-8,735	16,045	**7,310**
9,509	1,809	**11,318**	LGSS Operational	8,836	2,642	**11,478**
311,011	**64,060**	**375,071**	**Net Cost of Services**	**318,153**	**99,314**	**417,468**
-329,977	38,895	**-291,082**	Other Income and Expenditure	-314,885	-87,739	**-402,624**
-18,966	**102,955**	**83,989**	**Surplus (-) or Deficit**	**3,268**	**11,575**	**14,844**
-86,705			Opening General Fund Balance at 31 March	-80,187		
6,518			Plus: Deficit on General Fund Balance In Year	3,268		
-80,187			**Closing General Fund Balance at 31 March**	**-76,919**		

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Place & Economy	19,774	2,655	13	**22,442**
People & Communities	39,825	10,670	798	**51,293**
Public Health	-193	98	-2	**-97**
Corporate Services & LGSS Managed	17,151	-10,180	18	**6,989**
Commercial & Investment	14,766	1,302	-23	**16,045**
LGSS Operational	619	2,016	7	**2,642**
Net Cost of Services	**91,942**	**6,561**	**811**	**99,314**
Other Income and Expenditure	-100,266	13,486	-959	**-87,739**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-8,324**	**20,047**	**-148**	**11,575**

Adjustments for Capital purposes

- In the **service lines** this column records adjustments in respect of depreciation, revenue expenditure funded from capital under statute (REFCUS), revaluation gains/losses, and Private Finance Initiative and lease movements.
- **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. There are also adjustments for movements in the market value of investment properties.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.;

Net Change for the Pensions Adjustments

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

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

Other Differences

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

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

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2017/18 (RESTATED) £000		2018/19 £000
	Expenditure	
276,592	Employee Benefits Expenses	301,406
607,849	Other Services Expenses	509,938
44,263	Depreciation,amortisation, impairment	100,013
40,898	Interest Payments	45,954
385	Precepts and Levies	391
60,807	Loss on the disposal of assets	0
1,030,794	**Total Expenditure**	**957,702**
	Income	
-169,206	Fees, charges and other service income	-97,602
0	Gain on the disposal of assets	-16,010
-3,461	Interest and Investment Income	-8,580
-329,186	Income from Council Tax and Non-domestic rates	-348,214
-444,952	Government Grants and Contributions	-472,451
-946,805	**Total Income**	**-942,857**
83,989	**(Surplus) or Deficit on the Provision of Services**	**14,845**

9. OTHER OPERATING INCOME AND EXPENDITURE

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

2017-18 £000		2018-19 £000
385	Levies	391
73,550	(Gains)/losses on the disposal of non current assets	-16,009
73,935	**Total**	**-15,618**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2017-18 £000		2018-19 £000
27,675	Interest payable and similar charges	31,208
13,223	Net interest on the net defined benefit liability	13,486
-1,928	Interest receivable and similar income	-7,217
-1,690	Income and expenditure in relation to investment properties and changes in their fair value	3,948
274	Trading accounts	881
0	Other investment income	-1,363
37,554	**Total**	**40,943**

11. TAXATION AND NON-SPECIFIC GRANT INCOMES

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

2017-18 £000		2018-19 £000
-262,604	Council Tax Income	-280,775
-66,583	Non-Domestic Rates	-67,440
-24,782	Non-Ringfenced Government Grants	-16,094
-48,602	Capital Grants and Contributions	-63,640
-402,571	**Total**	**-427,949**

The main capital grants and contributions recognised in 2018-19 are Basic Need Grant (£40.3m) and S106/CIL receipts (£17.7m).

12. POOLED BUDGETS

Better Care Fund

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

The fund is operated according to an agreement made under section 75 of the National Health Service Act 2006 between the County Council and the NHS in the form of Cambridgeshire and Peterborough Clinical Commissioning Group (CCG).

The partners planned expenditure together through the fund including:

- NHS contributions to older people’s and adults' community health services, intermediate care and services for carers;

- Social Care spending on reablement, extra care and a range of other services;
- Additional funding from the NHS for County Council commissioned services in order to protect social care and respond to the Care Act;
- The Improved Better Care Fund grant paid to the County Council to provide investment to reduce delayed transfers of care to support pressures within adult social care;
- Disabled Facilities Grant for accommodation adaptations managed by the District Councils.

The financial results of the Better Care Fund for 2017-18 and 2018-19 are as follows:

2017-18 £000	Better Care Fund	2018-19 £000
	Funding provided to the pooled budget by:	
-12,148	the Council	-14,799
-36,294	NHS Cambridgeshire and Peterborough CCG	-36,983
-48,442		**-51,782**
	Expenditure met from the pooled budget:	
27,278	the Council	30,215
21,165	NHS Cambridgeshire and Peterborough CCG	21,567
48,442		**51,782**
0	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**
0	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**

In accordance with the section 75 agreement, NHS funded services which are commissioned directly by the Clinical Commissioning Group, do not require transactions to be via the County Council. Consequently, the actual transfer of funding from the NHS to the County Council related to 2018-19 as a result of the fund is £15.2m (£15.1m in 2017-18).

Other pooled budgets

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

- NHS Cambridgeshire and Peterborough CCG, for the provision of an Integrated Community Equipment Service (ICES) in Cambridgeshire, with the partner organisation contributing 49% of the budget;

2017-18 £000	Integrated Community Equipment Service	2018-19 £000
	Funding provided to the pooled budget by:	
-2,244	the Council	-2,301
-2,105	NHS Cambridgeshire and Peterborough CCG	-2,173
-4,349		**-4,474**
	Expenditure met from the pooled budget:	
2,268	the Council	2,323
2,128	NHS Cambridgeshire and Peterborough CCG	2,193
4,396		**4,516**
47	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**42**
24	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**22**

- NHS Cambridgeshire and Peterborough CCG, for the provision of integrated health and social services for Learning Disability Partnership (LDP) clients in Cambridgeshire, with the partner organisation contributing 23% of the budget.

2017-18 £000	Learning Disability Partnership	2018-19 £000
	Funding provided to the pooled budget by:	
-59,978	the Council	-60,948
-17,113	NHS Cambridgeshire and Peterborough CCG	-18,387
-77,091		**-79,335**
	Expenditure met from the pooled budget:	
63,383	the Council	63,424
17,113	NHS Cambridgeshire and Peterborough CCG	19,134
80,496		**82,558**
3,405	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**3,223**
3,405	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**2,476**

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, with the exception that it was agreed in advance that any overspend in the LDP pool during 2017-18 would be met fully by the County Council.

13. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2018-19 were £923,789 (£863,280 in 2017-18) and expenses totalled £39,764 (£39,292 in 2017-18).

14. OFFICERS' REMUNERATION

Senior Employees

Schedule 1 of the Accounts and Audit Regulations 2015 involves a legal requirement to increase transparency and accountability in Local Government for reporting the remuneration of senior employees. The Council publishes 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 2018-19 (and 2017-18) is as follows:

	Note		Salary, Fees & Allowances £000	Compensation for Loss of Employment £000	Employer Pension Contribution £000	Total Remuneration Including Employer Pension Contributions £000	*Cost of posts to Cambridgeshire County Council £000*
Chief Executive (G Beasley) *		**2018-19**	173,971	0	29,376	**203,347**	*101,673*
		2017-18	176,472	0	28,692	**205,164**	*109,750*
Deputy Chief Executive and Chief Finance Officer (S151 Officer)	**1**	**2018-19**	140,056	0	24,510	**164,566**	*91,128*
		2017-18	143,925	0	24,841	**168,766**	*103,766*
Executive Director: People and Communities *	**2**	**2018-19**	145,502	0	6,262	**151,764**	*75,882*
		2017-18	144,713	0	24,759	**169,472**	*84,736*
Executive Director: Place and Economy		**2018-19**	132,812	0	23,242	**156,054**	*156,054*
		2017-18	132,240	0	23,142	**155,382**	*155,382*
Director: Customer and Digital Services # *(shared with PCC from 01/01/2019)*		**2018-19**	102,285	0	17,900	**120,185**	*101,578*
(formerly titled Director: Corporate and Customer Services)		**2017-18**	97,628	0	16,968	**114,597**	*114,597*
Director: Public Health #		**2018-19**	112,538	0	16,183	**128,721**	*77,554*
		2017-18	101,946	0	13,952	**115,898**	*62,966*
Director: Business Improvement and Development #		**2018-19**	90,283	0	15,800	**106,083**	*85,765*
(new role from 01/07/2018, shared with PCC from 01/01/2019)		**2017-18**	0	0	0	**0**	*0*
Director: Legal and Governance (Monitoring Officer) #	**3**	**2018-19**	33,741	0	0	**33,741**	*33,741*
(new role from 01/11/2018)		**2017-18**	0	0	0	**0**	*0*
Monitoring Officer (via LGSS Law Ltd)	**4**	**2018-19**	42,166	0	9,192	**51,358**	*0*

Comprehensive Income and Expenditure Statement Supporting Notes

	Note		Salary, Fees & Allowances £000	Compensation for Loss of Employment £000	Employer Pension Contribution £000	Total Remuneration Including Employer Pension Contributions £000	*Cost of posts to Cambridgeshire County Council £000*
Former Postholders:							
Monitoring Officer (via LGSS Law Ltd)	4	**2018-19**	46,045	6,318	2,853	**55,216**	*27,608*
		2017-18	110,821	0	24,029	**134,850**	*79,889*
Total		**2018-19**	**1,019,399**	**6,318**	**145,318**	**1,171,035**	*750,983*
Total		**2017-18**	**907,745**	**0**	**156,383**	**1,064,129**	*711,086*

	Note		Salary, Fees & Allowances	Compensation for Loss of Employment	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions	*Cost of posts to Cambridgeshire County Council*
	Note		**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executive : Greater Cambridgeshire Partnership (R Stoppard)	5	**2018-19**	165,614	0	0	**165,614**	*n/a*
(new role from 01/04/2018)		**2017-18**	0	0	0	**0**	*n/a*

* Post shared under a S113 agreement with Peterborough City Council (PCC employee). Full remuneration is shown, along with the cost to Cambridgeshire County Council for its share.

Post shared under a S113 agreement with Peterborough City Council (CCC employee). Full remuneration is shown, along with the cost to Cambridgeshire County Council for its share.

Notes:

1. The Deputy Chief Executive and Chief Finance Officer postholder undertakes a non-executive directorship at This Land Limited and undertook a non-executive directorship at The Cambridge and Counties Bank until 26/10/2018, for which the Council received fixed contributions of £24k and £50k respectively (2017-18 £20k and £45k). Full remuneration is shown, along with the cost to Cambridgeshire County Council for its share.
2. The Executive Director: People and Communities opted out of the pension scheme during 2018-19.
3. The Monitoring Officer responsibilities are fulfilled by the Director of Law and Governance.
4. The former Monitoring Officer was employed by LGSS Law Ltd, a shared services company owned by Cambridgeshire County Council, Central Bedfordshire Council and Northamptonshire County Council authorised by the Solicitors Regulation Authority. As well as duties for the company the postholder was designated as monitoring officer to Cambridgeshire County Council and Central Bedfordshire Council. The postholder left LGSS Law Ltd on 11/05/2018. In the period between 11/05/2018 and the establishment of the new Director (LGSS): Legal and Governance role, the Monitoring Officer responsibilities were covered via a secondment from LGSS Law Ltd.
5. This postholder is employed by Cambridgeshire County Council as the accountable body for the Greater Cambridgeshire Partnership. The partnership is a formal collaboration with ring-fenced funding and separate governance from the Council reporting to an Executive Board also comprising representatives from Cambridge City Council and South Cambs District Council.
6. The LGSS Managing Director is an employee of Northamptonshire County Council and is disclosed in the Officer's Remuneration note of the NCC Statement of Accounts.
7. The column for reporting taxable expenses and benefits in kind has been excluded from the disclosure note as there were no values to report for either financial year.

Employee remuneration above £50,000

In addition to those individuals shown in the senior officers table, the number of Council staff (including teachers but excluding senior employees) with remuneration (comprising salary, fees, expenses, allowances and any exit package) above £50,000 is as follows:

2017-18 No.	Remuneration Banding	2018-19 No.
101	£50,000 - £54,999	124
56	£55,000 - £59,999	56
41	£60,000 - £64,999	35
37	£65,000 - £69,999	28
21	£70,000 - £74,999	23
3	£75,000 - £79,999	6
4	£80,000 - £84,999	4
5	£85,000 - £89,999	3
7	£90,000 - £94,999	4
4	£95,000 - £99,999	1
1	£100,000 - £104,999	0
1	£105,000 - £109,999	2
0	£110,000 - £114,999	1
2	£115,000 - £119,999	2
0	£120,000 - £124,999	2
1	£125,000 - £129,999	0
1	£130,000 - £134,999	0

1	£155,000 - £159,999	0
286		**291**

Approximately two-thirds of the employees referred to in the above table are employed in Cambridgeshire schools'(excluding academies).

Exit Packages

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:

2017-18					2018-19			
Compulsory Redundancies No.	Other Departures with Exit Package No.	Total Exit Packages No.	Total Cost of Exit Packages £000		Compulsory Redundancies No.	Other Departures with Exit Package No.	Total Exit Packages No.	Total Cost of Exit Packages £000
49	50	99	605	£0 - £20,000	73	59	132	605
4	2	6	208	£20,001 - £40,000	9	9	18	576
2	9	11	555	£40,001 - £60,000	3	3	6	297
5	0	5	336	£60,001 - £80,000	1	0	1	64
1	2	3	286	£80,001 - £100,000	0	0	0	0
1	0	1	110	£100,001 - £150,000	0	0	0	0
0	0	0	0	£150,001 - £200,000	2	0	2	315
0	0	0	0	£200,001 - £250,000	0	1	1	227
62	**63**	**125**	**2,100**	**Total**	**88**	**72**	**160**	**2,084**

15. TERMINATION BENEFIT

The Council terminated the contracts of a number of employees in 2018-19, incurring costs of £2.1m (£2.1m in 2017-18). See note 14 above for the number of exit packages and total cost per band that has been paid during the year.

16. EXTERNAL AUDIT COSTS

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

2017-18 £000		2018-19 £000
94	Fees payable with regard to external audit services carried out by the appointed auditor	72
0	Fees payable in respect of other services provided by the appointed auditor	0
94		**72**

17. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills 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 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The DSG (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards and Framework Act 1998.

Details of the deployment of DSG receivable for 2017-18 and 2018-19 are as follows:

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2017-18 Central Expenditure £000	2017-18 Individual Schools Budget (ISB) £000	2017-18 Total £000		2018-19 Central Expenditure £000	2018-19 Individual Schools Budget (ISB) £000	2018-19 Total £000
		436,323	Final DSG before Academy recoupment			452,582
		-203,188	Academy figure recouped			-225,993
		233,135	**Total DSG after Academy Recoupment**			**226,589**
		-113	Brought forward from previous financial year			-720
		0	Carry forward to next financial year agreed in advance			0
54,939	**178,083**	**233,022**	**Agreed Initial Budgeted Distribution**	**43,919**	**181,950**	**225,869**
0	-1,147	-1,147	In year adjustments	78	784	862
54,939	**176,936**	**231,875**	**Final Budget Distribution**	**43,997**	**182,734**	**226,731**
-55,659	0	-55,659	Less: actual central expenditure	-50,644	0	-50,644
0	-176,936	-176,936	Less: actual ISB deployed to schools	0	-183,258	-183,258
0	0	0	Plus: local authority contribution	0	0	0
-720	**0**	**-720**	**Carry Forward**	**-6,647**	**-524**	**-7,171**

The final DSG balance to carry forward to 2019-20 is a deficit of £7,171k, compared to the £720k deficit brought forward from 2017-18. The increasing deficit is the result of continuing pressures within the High Needs Block within DSG, due to overall numbers, complexity of need and unit costs. Where possible any pressures on DSG funded services, including the brought forward deficit, will be managed from within the available DSG for 2019-20. The in-year position will be reported to the Schools Forum in the autumn term, alongside details of the strategies and work streams in place to reduce overall spend on the High Needs Block. Consideration will then need to be given to the DSG budget setting approach to be taken in 2020-21, subject to any national policy changes.

18. ADJUSTMENTS BETWEEN ACOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Movements in balances in 2018-19:

2018-19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in 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	44,895	0	0	-44,895
Revaluation losses on Property Plant and Equipment	1,285	0	0	-1,285
Movements in the fair value of Investment Properties	3,948	0	0	-3,948
Amortisation of intangible assets	1,690	0	0	-1,690
Capital grant and contributions applied	-92,234	0	0	92,234
Revenue Expenditure funded from Capital under Statute	48,196	0	0	-48,196
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	49,383	0	0	-49,383
Gain/loss on available for sale financial assets	-5,111	0	0	5,111
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-15,370	0	0	15,370

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Other Adjustments	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-5,350	0	5,350	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-28,183	28,183
Adjustments involving the Capital Receipts Reserve:				
Capital Receipts received in year but not applied	-20,443	20,443	0	0
Capital Receipts used to fund capital expenditure	-41,731	0	0	41,731
Adjustments involving the Deferred Capital Receipts Reserve:				
Capital Receipts achieved in year but not received	1	0	0	-1
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	667	0	0	-667
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	52,546	0	0	-52,546
Employer's pension contributions and direct payments to pensioners payable in the year	-9,980	0	0	9,980
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-1,627	0	0	1,627
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	811	0	0	-811
Total Adjustments	**11,576**	**20,443**	**-22,833**	**-9,186**

Comprehensive Income and Expenditure Statement Supporting Notes

Movements in balances in 2017-18:

2017-18 (RESTATED)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in 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	44,678	0	0	-44,678
Revaluation losses on Property Plant and Equipment	4,795	0	0	-4,795
Movements in the fair value of Investment Properties	-1,634	0	0	1,634
Amortisation of intangible assets	288	0	0	-288
Capital grant and contributions applied	-109,840	0	0	109,840
Revenue Expenditure funded from Capital under Statute	62,639	0	0	-62,639
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	76,635	0	0	-76,635
Gain/loss on available for sale financial assets	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-9,165	0	0	9,165
Capital Expenditure charged against the General Fund	-56	0	0	56
Other Adjustments				
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-7	0	-19,896	19,903

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:				
Transfer of Cash Proceeds credited as part of the gain/loss on disposal to the CIES	-1,025	1,025	0	0
Use of the Capital Recepits Reserve to Finance new capital expenditure	0	-1,025	0	1,025
Flexible Use of Capital Receipts	1,116	-1,116	0	0
Adjustments involving the Deferred Capital Receipts Reserve:				
Capital Receipts achieved in year but not received	-291	0	0	291
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	-47	0	0	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	54,313	0	0	-54,313
Employer's pension contributions and direct payments to pensioners payable in the year	-32,694	0	0	32,694
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,722	0	0	-3,722
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	-3,214	0	0	3,214
Total Adjustments	**90,213**	**-1,116**	**-19,896**	**-69,201**

19. 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-17 £000	Transfers Out 2017-18 £000	Transfers In 2017-18 £000	Balance at 31-Mar-18 £000	Transfers Out 2018-19 £000	Transfers In 2018-19 £000	Balance at 31-Mar-19 £000
Carry forward - schools	**15,169**	-15,372	14,358	**14,155**	-13,991	6,714	**6,878**
Carry forward - other	**5,016**	-4,026	250	**1,240**	-319	968	**1,889**
Insurance reserve	**3,269**	-3,136	3,042	**3,175**	-2,503	3,388	**4,060**
Transformation reserve	**20,525**	-6,596	8,793	**22,722**	-5,392	8,018	**25,348**
Other earmarked reserves	**26,918**	-21,316	19,897	**25,499**	-9,318	9,708	**25,889**
Total	**70,897**	**-50,446**	**46,340**	**66,791**	**-31,523**	**28,796**	**64,064**

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

The School Carry forward reserve consists mainly of revenue balances held by individual maintained schools as part of their overall delegated funding. This funding remains in individual school bank accounts, but is consolidated into the overall accounts for reporting purposes. The reserve also contains other small elements of school funding in relation to Pupil Premium, Universal Infant Free Schools Funding and the pooled absence scheme for primary schools. These balances are subject to conditions of grant or local schemes and as such will be allocated in agreement with these arrangements during 2019-20.

The reduction in schools carry forwards reflect the DSG deficit underlined in Note 17 (DSG).

20. USABLE RESERVES

Usable reserves are those reserves that contain resources that a Council can apply to the provision of services, either by incurring expenses or undertaking capital investment; whether or not there are particular restrictions on exactly what the resources can be applied to. Please refer to Notes 19 and 20 for details of the movements in usable reserves.

The Council's usable reserves are as follows:

- **General Fund** – the main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met. The General Fund cushions the impact of uneven cash flows and also acts as a contingency that can be used in year in the event of unexpected emergencies or unforeseen spending;
- **Earmarked Reserves** – these are resources set aside for a specific purpose. The Council's earmarked reserves include balances to cover future pressures, insurance claims and general contingencies held by schools within advisory limits. This includes a Transformation reserve which has been set up to finance projects that will reduce the Council's operating costs. Further analysis of earmarked reserves is shown within note 19;
- **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 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 also detailed in the Movement in Reserves Statement (page 40).

21. UNUSABLE RESERVES

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

Restated 31-Mar-18 £000		31-Mar-19 £000
513,115	Revaluation reserve	539,130
599,920	Capital adjustment account	660,142
-1,183	Financial instruments adjustment account	-1,851
-507,109	Pensions reserve	-613,107
355	Collection Fund adjustment account	1,982
-4,873	Accumulated absences account	-5,687
21,591	Deferred capital receipts reserve	21,590
621,816		**602,199**

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;
- or 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.

RESTATED 2017-18 £000		2018-19 £000
517,286	**Balance at 1 April**	**513,116**
56,010	Upward revaluation of assets	103,666
-17,567	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the Provision of Services	-52,161
555,729	**Surplus or Deficit on Revaluation of Long Term Assets not Posted to the Surplus or Deficit on the Provision of Services**	**564,621**
-7,885	Difference between fair value depreciation and historical cost depreciation	-5,262
-34,728	Accumulated gains on assets sold or scrapped	-20,229
-42,613	**Amount Written Off to the Capital Adjustment Account**	**-25,491**
513,116	**Balance at 31 March**	**539,130**

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.

Movement In Reserves Statement Supporting Notes

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

RESTATED 2017-18 £000		2018-19 £000
591,979	**Balance at 1st April**	**599,920**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
-44,678	Charges for depreciation of impairment of long-term assets	-44,895
7,947	Revaluation gains reversing previous losses on Property, Plant and Equipment	-1,285
-288	Amortisation of intangible assets	-1,690
-52,861	Revenue expenditure funded from capital under statute	-48,196
-76,635	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	-49,383
41,821	Adjusting amounts written out of the Revaluation Reserve	25,491
-124,694	**Net written out amount of the cost of non-current assets consumed in the year**	**-119,958**
	Capital financing applied in the year	
1,025	Use of the capital receipts reserve to finance new capital expenditure	41,731
100,853	Capital Grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	92,234
19,902	Application of grant to capital financing from the capital grants unapplied account	28,183
9,165	Statutory Provision for the financing of capital investments charged to the general fund	15,370
56	Capital expenditure charged against the general fund	6,610
1,634	Movements in the market value of investment properties debited or credited to the Comprehesive Income and Expenditure Statement	-3,948
599,920	**Balance at 31 March**	**660,142**

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.

2017-18 £000		2018-19 £000
-509,868	**Balance at 1st April**	**-507,109**
24,378	Re-measurement of net pension liability	-85,952
-54,313	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	-52,546
32,694	Employer's pensions contributions and direct payments to pensioners payable in the year	32,499
-507,109	**Balance at 31st March**	**-613,108**

Deferred Capital Receipts Reserve

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

2017-18 £000		2018-19 £000
21,300	**Balance at 1 April**	**21,591**
291	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1
21,591	**Balance at 31 March**	**21,590**

22. PROPERTY, PLANT AND EQUIPMENT

Movements in balances in 2017-18 and 2018-19

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2018	**1,026,294**	**17,840**	**920,982**	**659**	**3,455**	**38,975**	**2,008,205**	**117,777**
Additions	249	1,287	79,285			39,934	120,755	
Donations							0	
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	37,344				-489		36,855	
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-4,375				-40		-4,415	
De-recognition and Disposals	-37,575		-8,729				-46,304	
Assets reclassified to (-)/from Held for Sale						-2,550	-2,550	
Assets reclassified to (-)/from PPE	30,168					-30,168	0	
Assets reclassified to (-)/from Investment Properties							0	
Assets reclassified to (-)/from Intangible Assets						-1,394	-1,394	
Other Movements in Cost or Valuation							0	
At 31st March 2019	**1,052,105**	**19,127**	**991,538**	**659**	**2,926**	**44,797**	**2,111,152**	**117,777**
Accumulated Depreciation and Impairment								
At 1st April 2018	**-39,336**	**-17,407**	**-142,723**	**0**	**-1**	**-16,401**	**-215,868**	**-54,308**
Depreciation Charge	-13,316	-354	-24,858		-16		-38,544	-3,498
Depreciation written out of the Revaluation Reserve	14,608				10		14,618	
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,196				2		3,198	
Impairment losses/reversals (-) recognised in the surplus/deficit in the Revaluation Reserve	0						0	
Impairment losses/reversals (-) recognised in the surplus/deficit on the provision of services	0	-1,287				-5,064	-6,351	
Assets reclassified to (-)/from Held for Sale							0	
Assets reclassified to (-)/from PPE							0	
Assets reclassified to (-)/from Investment Properties							0	
De-recognition and Disposals	762		8,729				9,491	
Other Movements in Cost or Valuation							0	
At 31st March 2019	**-34,086**	**-19,048**	**-158,852**	**0**	**-5**	**-21,465**	**-233,456**	**-57,806**
At 31st March 2019	**1,018,019**	**79**	**832,686**	**659**	**2,921**	**23,332**	**1,877,696**	**59,971**
At 31st March 2018	**986,958**	**433**	**778,259**	**659**	**3,454**	**22,574**	**1,792,337**	**63,469**

Balance Sheet Supporting Notes

Movements in balances in 2017-18

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2017	**1,012,239**	**17,840**	**858,220**	**686**	**5,465**	**72,246**	**1,966,696**	**117,777**
Additions	0	0	68,262	0	0	32,137	100,399	0
Donations	0	0	0	0	0	0	0	0
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	30,206	0	0	-27	167	0	30,346	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	4,917	0	0	0	4	0	4,921	0
De-recognition and Disposals	-38,811	0	-5,500	0	0	-37,784	-82,095	0
Assets reclassified to (-)/from Held for Sale	-4,805	0	0	0	-2,181	0	-6,986	0
Assets reclassified to (-)/from PPE	22,813	0	0	0	0	-22,813	0	0
Assets reclassified to (-)/from Investment Properties	-245	0	0	0	0	0	-245	0
Assets reclassified to (-)/from Intangible Assets	0	0	0	0	0	-4,811	-4,811	0
Other Movements in Cost or Valuation	-20	0	0	0	0	0	-20	0
At 31st March 2018	**1,026,294**	**17,840**	**920,982**	**659**	**3,455**	**38,975**	**2,008,205**	**117,777**
Accumulated Depreciation and Impairment								
At 1st April 2017	**-37,352**	**-16,040**	**-125,072**	**0**	**-24**	**-9,054**	**-187,542**	**-49,797**
Depreciation Charge	-12,784	-1,367	-23,151	0	-29	0	-37,331	-4,511
Depreciation written out of the Revaluation Reserve	8,816	0	0	0	52	0	8,868	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,901	0	0	0	0	0	1,901	0
Impairment losses/reversals (-) recognised in the surplus/deficit in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/reversals (-) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	-7,347	-7,347	0
De-recognition and Disposals	83	0	5,500	0	0	0	5,583	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31st March 2018	**-39,336**	**-17,407**	**-142,723**	**0**	**-1**	**-16,401**	**-215,868**	**-54,308**
At 31st March 2018	**986,958**	**433**	**778,259**	**659**	**3,454**	**22,574**	**1,792,337**	**63,469**
At 31st March 2017	**974,887**	**1,800**	**733,148**	**686**	**5,441**	**63,192**	**1,779,154**	**67,980**

Cambridgeshire County Council

Capital commitments

At 31 March 2019, the Council has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2019-20 and future years, budgeted to cost £68m. The figures included within the table below represent the full contract value, not just the commitment.

Contracts with major commitments are:

Expenditure approved and contracted		**31-Mar-19 £000**
Schools		
Northstowe Secondary	New construction	43,642
Barrington Primary	3 classrooms	2,475
Waterbeach Primary	Extension	5,719
Cambourne Village College	Expansion of two forms of entry	6,888
New Road Primary, Whittlesey	Expansion	5,671
Highways		
Abbey - Chesterton Bridge	New construction	7,087
Other		
Ely Archives	Alterations and remodelling	3,374
Total		**74,856**

Capitalisation of Borrowing Costs

In accordance with the Council’s accounting policy, the Council capitalised £1,710k of borrowing costs in year in relation to qualifying assets (£1,925k in 2017-18). This was calculated using the Council’s average borrowing rate of between 2.8% and 3.0% for the 4 quarters of 2018-19.

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, with properties with a value over £4m being valued every year. 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. For 2018-19, the valuations were carried out externally by Royal Institution of Chartered Surveyors (RICS) registered valuers, NPS Property Consultants Ltd and Wilks Head & Eve LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the RICS Valuation. The effective date of revaluation for the rolling programme and all Surplus assets is 30 November 2018, however as part of the material misstatement exercise, some assets were revalued on a desktop basis as at 31 March 2019. The valuers carried out a review of assets revalued at 30 November 2018 and confirmed that the valuations were materially correct as at 31 March 2019.

The significant assumptions applied in estimating current values are:

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

Valuation of long-term assets

	Carried at Historical Cost	Valued at Current Value as at:					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
	£000	£000	£000	£000	£000	£000	£000
Land and Buildings		82,202	44,962	56,643	52,128	816,170	**1,052,105**
Vehicles, Plant, Furniture and Equipment	19,127	0	0	0	0	0	**19,127**
Infrastructure Assets	991,538						**991,538**
Community Assets		40	0	0	619	0	**659**
Surplus Assets		0	0	0	0	2,926	**2,926**
Assets Under Construction	44,797						**44,797**
	1,055,462	**82,242**	**44,962**	**56,643**	**52,747**	**819,096**	**2,111,152**
Assets Held for Sale		0	0	0	2,367	864	**3,231**
Investment Properties		0	0	0	0	43,466	**43,466**
Total Held at Cost or Revaluation	**1,055,462**	**82,242**	**44,962**	**56,643**	**55,114**	**863,426**	**2,157,849**

23. HERITAGE ASSETS

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

Valuation or Cost	Archives and Museum Collections £000	Art Collection £000	Total Assets £000
01-Apr-17	**20,567**	**138**	**20,705**
Additions during 2017-18	1	0	**1**
Disposals during 2017-18	0	-123	**-123**
Revaluations during 2017-18	631	0	**631**
31-Mar-18	**21,199**	**15**	**21,214**
Additions during 2018-19	1	0	**1**
Disposals during 2018-19	-2,551	-4	**-2,555**
Revaluations during 2018-19	0	0	**0**
31-Mar-19	**18,649**	**11**	**18,660**

The Council’s collections of archives, art works and other museum pieces are valued in the Balance Sheet at insurance valuation. The most recent valuation of archives was carried out by Bonhams on 11th July 2008 and the most recent valuation of museum pieces was carried out by Bonhams on 27th June 2016. These valuations are repeated periodically. The Council has considered the collections during 2018-19 for possible impairments and does not believe it is economic to conduct revaluations on a more frequent basis.

24. LONG-TERM DEBTORS

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

2017-18 £000		2018-19 £000
20,000	Central government bodies	0
25,370	This Land Group	88,512
21,589	Long term finance lease receivable	21,588
11,507	Other	12,732
78,466		**122,832**

25. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£000	£000	£000	£000
Investments:				
Financial assets through other comprehensive income	400	400	0	0
Total investments	**400**	**400**	**0**	**0**
Cash and cash equivalents:				
Cash and cash equivalents	0	0	39,280	21,459
Total cash and cash equivalents	**0**	**0**	**39,280**	**21,459**
Loans and receivables:				
Financial Assets at amortised cost	78,466	122,832	99,538	110,067
Total receivables	**78,466**	**122,832**	**99,538**	**110,067**
Borrowings:				
Financial liabilities at amortised cost	-351,214	-430,687	-148,522	-170,871
Total borrowings	**-351,214**	**-430,687**	**-148,522**	**-170,871**
Other liabilities:				
Other liabilities	-118,623	-113,980	-96,179	-94,512
Total other liabilities	**-118,623**	**-113,980**	**-96,179**	**-94,512**

Cambridgeshire County Council

Income, Expense, Gains and Losses

	2018-19			
	Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	Financial Assets: Through Other Comprehensive Income £000	Total £000
Interest expense	31,208	0	0	**31,208**
Total expense in (Surplus)/ Deficit on the Provision of Services	**31,208**	**0**	**0**	**31,208**
Interest income	0	-7,217	0	**-7,217**
Total income in (Surplus)/ Deficit on the Provision of Services	**0**	**-7,217**	**0**	**-7,217**
Net (gain) / loss for the year	**31,208**	**-7,217**	**0**	**23,991**

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 Council 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.

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

Other Supporting Notes

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

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

- For loans from the Public Works Loan Board (PWLB) payable, early repayment rates from the PWLB have been applied to provide the fair value.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or 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. 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 todays terms as at the balance sheet date. Our accounting policy uses premature repayment borrowing rates to discount the future cash flows. The fair values are as follows:

Fair value hierarchy for financial liabilities

	Total Carrying amount £000	Fair value £000	Total Carrying amount £000	Fair value £000
PWLB borrowing	-283,398	-391,618	-457,734	-554,214
Non-PWLB borrowing	-216,338	-275,380	-143,824	-148,943
Short term creditors/payables	-96,179	-96,179	-111,255	-111,255
Short term finance lease & PFI liability	0	0	-4,643	-4,643
Long term finance lease & PFI liability	-118,623	-118,623	-111,470	-111,470
Financial liabilities	**-714,538**	**-881,800**	**-828,926**	**-930,525**

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 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £554.214m 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 Council 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 Council 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 Council 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 £457.734m would be valued at £346.514m. But if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption.

Fair value hierarchy for financial assets

	31-Mar-18 Carrying amount £000	31-Mar-18 Fair value £000	31-Mar-19 Carrying amount £000	31-Mar-19 Fair value £000
Fixed term investments	0	0	0	0
Cash and cash equivalents	39,280	39,280	21,459	21,459
Debtors	99,538	99,538	110,067	110,067
Long-term debtors	78,466	78,466	122,832	122,832
Total financial assets	**217,284**	**217,284**	**254,358**	**254,358**
Long Term Equity Investments	400	400	400	400
Financial assets through other comprehensive income (FVOCI)	**400**	**400**	**400**	**400**

The fair value of the assets is the same as the carrying amount because the Council's portfolio of loans and receivables amortised cost is a fair approximation of their value. The fair value of long term debtors is also taken to be the carrying amount. The large year-on-year increase in long-term debtors is a result of loans made to This Land Group.

26. FAIR VALUE HIERARCHY

Details of the Council's Surplus Assets, Assets Held for Sale and Investment Properties and information about the fair value hierarchy as at 31 March 2018 and 31 March 2019 are as follows:

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31/03/2019 £000
Surplus Assets	1,458	1,463	**2,921**
Assets Held for Sale	361	2,870	**3,231**
Investment Assets	40,168	3,298	**43,466**
Total	**41,987**	**7,631**	**49,618**

31 March 2018 Comparative Figures

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31/03/2018 £000
Surplus Assets	2,651	803	**3,454**
Assets Held for Sale	3,394	6,053	**9,447**
Investment Assets	9,029	72	**9,101**
	15,074	**6,928**	**22,002**

Valuation Techniques

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

Significant Observable Inputs – Level 2

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

Significant Observable Inputs – Level 3

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

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

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

Other Supporting Notes

Highest and Best Use

In estimating the fair value of the Council's Surplus Assets, Assets Held for Sale and Investment Properties, the highest and best use is their current use for most of the assets. However, for 18 assets their highest and best use is actually for an alternative use (18 assets in 2017-18). In all cases, this alternative use is for residential development land – however the Council cannot realise that alternative value until planning permission is granted (although this is not guaranteed) and/or the asset is sold. As such, in the meantime these assets are either not in use (and therefore their current existing use is their previous use) or they have been put to an alternative use in the meantime whilst they await disposal or future development.

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

Fair value movements for assets categorised within level 3:	31-Mar-18	31-Mar-19
	£0	£0
Opening balance	2,545	6,840
Transfers into level 3	0	6,057
Transfers out of level 3	-247	-130
Reclasses between PPE, AHFS and Investment Properties	4,125	2,416
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-66	-565
Total gains [or losses] for the period included in Surplus or deficit on revaluation of long-term assets	495	-787
Disposals	0	-6,183
Depreciation	-12	-17
Closing Balance	**6,840**	**7,631**

The loss arising from changes in the fair value of level 3 assets has been recognised in the Surplus or Deficit on the Provision of Services in the People and Communities, Commercial & Investment and Financing and Investment Income and Expenditure lines.

27. SHORT TERM DEBTORS

31-Mar-18 £000		31-Mar-19 £000
25,280	Trade debtors	60,291
42,260	Central government bodies	35,215
17,106	NHS bodies	11,450
8,883	Collection fund debtors	11,451
6,009	Other	1,342
99,538	**Total Short Term Debtors**	**119,749**

28. CASH AND CASH EQUIVALENTS

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

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

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

31-Mar-18 £000		31-Mar-19 £000
14,471	Cash held by the Council	2,143
24,809	Cash equivalents	19,316
39,280	**Total Cash and Cash Equivalents**	**21,459**

29. SHORT TERM CREDITORS

31-Mar-18 £000		31-Mar-19 £000
-70,138	Trade creditors	-71,042
-28,606	Central government bodies	-10,143
-4,639	NHS bodies	-5,003
-5,715	Collection fund creditors	-6,897
-4,875	Accumulated absences accrual	-5,687
-4,492	Finance lease liabilities	-4,643
-6,026	Other	-7,840
-124,491	**Total Short Term Creditors**	**-111,255**

30. OTHER LONG TERM LIABILITIES

An analysis of other long term liabilities is shown below:

31-Mar-18 £000		31-Mar-19 £000
-507,108	Pensions liabilities	-613,107
-130	Long term finance lease (non-PFI)	-2,537
-118,493	Long term finance lease (PFI)	-111,470
-625,731		**-727,114**

31. GRANT INCOME

The following is a list of all grants and contributions received in excess of £2 million during 2018-19 where the grant/contribution has been recognised as income:

2017-18 £000		2018-19 £000
	Credited to taxation and non specific grant income	
48,546	Capital Grants	61,284
15,312	Revenue support grant (2018-19 is final year of receipt)	3,915
4,273	New homes bonus	3,354
1,925	Business Rates compensation grant	3,290
3,308	Other grants	7,891
73,364	**Credited to taxation and non specific grant income**	**79,734**

Other Supporting Notes

2017-18 £000		2018-19 £000
	Credited to services	
233,135	Dedicated schools grant	225,520
26,946	Public Health grant	26,253
20,800	Basic Need (REFCUS)	12,103
9,366	Pupil premiums	8,943
3,810	Disabled facilities grant (REFCUS)	3,943
1,754	Unaccompanied asylum seekers grant	2,933
2,163	Primary schools sports funding	2,474
0	Adult social care winter funding	2,324
2,080	Adult education budget block grant	2,145
24,626	Other contributions	44,488
11,408	PFI Grants	11,408
25,702	Other grants	2,758
361,790	**Total Credited to services**	**345,292**

Capital Grants receipts in advance

The Council has received a number of capital grants and contributions 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:

2017-18 £000		2018-19 £000
	Current	
0	Grants	60
2,928	Section 106 contributions and Community Infrastructure levy	2,945
2,928		**3,005**
	Long Term	
40,633	Section 106 contributions	51,749
303	Other contributions	303
40,936		**52,052**
43,864	**Total**	**55,057**

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The closing CFR at 31 March 2019 was £876m (£752m at 31 March 2018).

2017-18 £000		2018-19 £000
	Expenditure funded from capital:	
99,454	Property, Plant and Equipment	120,755
0	Investment Properties	39,463
925	Intangible Assets	3,950
62,639	Revenue Expenditure Funded from Capital under Statute	48,196
28,170	Long-term Capital Debtors	62,779
	Sources of finance:	
-1,025	Capital receipts	-41,731
-130,533	Government grants and other contributions	-120,417
-56	Direct revenue contributions	-6,610
	Sum set aside from revenue:	
-9,165	MRP/loans fund principal	-15,370
50,409	**Increase in Capital Financing Requirement**	**91,015**
	Explanation of movements in year:	
50,409	Increase in underlying need to borrowing (unsupported by government financial assistance)	91,015
50,409	**Increase in Capital Financing Requirement**	**91,015**

33. LEASES

Council as Lessee:

Finance Leases

The Council has acquired land and buildings, including Child and Family Centres/ Pre-schools, libraries and depots, under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts (excluding Waste PFI leases which are disclosed separately in the Waste PFI note (note 34)):

31-Mar-18		31-Mar-19
£000		£000
44,212	Other land and buildings	49,339

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:

31-Mar-18			31-Mar-19	
MLP	FLL		MLP	FLL
£000	£000		£000	£000
11	4	Not later than 1 year	11	5
35	17	Later than 1 year and not later than 5 years	30	17
438	60	Later than 5 years	432	56
484	**81**	**Total**	**473**	**78**

Council as Lessor:

(i) Finance Leases

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

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

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

31-Mar-18			31-Mar-19	
MLP	FLL		MLP	FLL
£000	£000		£000	£000
1,406	1,129	Not later than 1 year	1,356	1,016
5,590	3,834	Later than 1 year and not later than 5 years	5,383	3,437
162,349	11,849	Later than 5 years	157,045	11,041
169,345	**16,812**	**Total**	**163,784**	**15,494**

Note: GI figures do not include any potential unguaranteed residual value and associated unearned finance income due to a lack of reliable information required to accurately calculate them.

(ii) Operating Leases

The Council leases out property under operating leases, primarily to schools and farms. The future minimum lease payments receivable under non-cancellable leases in future years are:

31-Mar-18		31-Mar-19
£000		£000
4,630	Not later than 1 year	5,084
14,661	Later than 1 year and not later than 5 years	15,340
18,380	Later than 5 years	20,128
37,671	**Total**	**40,552**

34. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Waste PFI

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

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

There is no option within the contract for renewal given the operation of the PFI mechanism, as the payment term for the asset will be complete and the payment mechanism will no longer apply. However, extension on revised terms, rather than full renewal, is accommodated in the contract after the 28 year period, and multiple termination clauses exist within the contract for both parties for factors such as contractor default, Council default, contract breach and Force Majeure etc. Council or contractor initiated change processes are defined in the project agreement and the principle of 'no better, no worse', can be applied to any and all aspects of the contract, at any level of cost or time, given the defined dispute resolution procedures and the support of appointed independent adjudicators.
For 2018-19, the following figures have been recognised in the Council's financial statements:

2017-18 £000	Comprehensive Income and Expenditure Statement	2018-19 £000
12,070	Fair value of services provided	12,927
4,887	Interest payable on the finance lease liability	6,699
-2,034	Repayment of Capital	2,074
2,530	Contingent rents	2,437
4,558	Lifecycle replacement costs	0
2,266	Depreciation	920
-2,691	PFI credits	-2,611

31-Mar-18 £000		31-Mar-19 £000	Movement £000
	Assets		
16,173	Land and buildings	15,275	-898
431	Plant and equipment	77	-354
	Liabilities		
-2,313	Short term finance lease liability	-2,366	-53
-46,698	Long term finance lease liability	-41,811	3,627
	Reserves		
1,270	Revaluation Reserve	1,199	-71
-33,677	Capital Adjustment Account (Depreciation and Debt Provision)	-30,024	2,393

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

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	13,429	0	2,366	9,100	**24,895**
Within 2 to 5 years	58,320	15,035	927	32,594	**106,876**
Within 6 to 10 years	81,883	12,167	9,427	45,682	**149,159**
Within 11 to 15 years	92,961	10,552	19,101	45,829	**168,443**
Within 16 to 20 years	37,475	578	13,616	17,178	**68,847**
Total	**284,068**	**38,332**	**45,437**	**150,383**	**518,220**

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

2017-18 £000		2018-19 £000
46,976	**Balance outstanding at start of year**	**49,010**
2,034	Payments during the year	-2,074
49,010	**Balance outstanding at end of year**	**46,936**

Street Lighting PFI

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

Council's revenue allocations. Although the contract requires maintenance of the entire street lighting stock and replacement of existing equipment beyond its useful life, ownership of the street lighting asset is retained by the County Council.

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

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

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

For 2018-19, the following figures have been recognised in the Council’s financial statements:

2017-18 £000	Comprehensive Income and Expenditure Statement	2018-19 £000
2,627	Fair value of services provided	2,231
4,007	Interest payable on the finance lease liability	3,915
1,046	Repayment of Capital	1,422
85	Contingent rents	154
2,245	Depreciation	2,245
-3,944	PFI credits	-3,944

31-Mar-18 £000		31-Mar-19 £000	Movement £000
	Assets		
46,865	Infrastructure	44,620	-2,245
	Liabilities		
-1,422	Short term finance lease liability	-1,627	-205
-43,093	Long term finance lease liability	-41,466	1,627
	Reserves		
2,350	Capital Adjustment Account (Depreciation and Debt Provision)	1,527	-823

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 & contingent rents £000	Total £000
Within 1 year	2,318	0	1,627	3,986	**7,931**
Within 2 to 5 years	10,763	1,719	5,976	14,138	**32,596**
Within 6 to 10 years	14,672	3,474	10,052	14,684	**42,882**
Within 11 to 15 years	16,870	3,990	15,003	9,685	**45,548**
Within 16 to 20 years	7,789	212	10,435	3,021	**21,457**
Total	**52,412**	**9,395**	**43,093**	**45,514**	**150,414**

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

2017-18 £000		2018-19 £000
45,562	**Balance outstanding at start of year**	**44,516**
-1,046	Payments during the year	-1,422
44,516	**Balance outstanding at end of year**	**43,094**

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 Academy – 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 (and became Thomas Clarkson Academy; 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 2018-19, the following figures have been recognised in the Council's financial statements:

2017-18 £000	Comprehensive Income and Expenditure Statement	2018-19 £000
822	Fair value of services provided	1,082
3,214	Interest payable on the finance lease liability	3,141
684	Repayment of Capital	757
454	Contingent rents	492
93	Lifecycle replacement costs	93
-622	Contribution from school	-712
-4,853	PFI credits	-4,853

31-Mar-18 £000	Balance Sheet	31-Mar-19 £000	Movement £000
	Liabilities		
-757	Short term finance lease liability	-650	107
-28,842	Long term finance lease liability	-28,193	649
	Reserves		
-29,599	Capital Adjustment Account	-28,843	756

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 & contingent rents £000	Total £000
Within 1 year	863	281	650	3,593	**5,387**
Within 2 to 5 years	3,675	1,216	3,262	14,031	**22,184**
Within 6 to 10 years	5,134	1,296	6,739	16,115	**29,284**
Within 11 to 15 years	5,809	2,014	10,316	13,086	**31,225**
Within 16 to 20 years	3,846	1,372	7,875	5,085	**18,178**
Total	**19,327**	**6,179**	**28,842**	**51,910**	**106,258**

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

2017-18 £000		2018-19 £000
30,283	**Balance outstanding at start of year**	**29,599**
-684	Payments during the year	-757
29,599	**Balance outstanding at end of year**	**28,842**

35. IMPAIRMENT LOSSES

During 2018/19, the Council has recognised an impairment loss of £6,351k. This is in relation to capital expenditure on assets that will not ultimately enhance the asset's value. The recoverable amounts of the assets have been reduced to their value in use and the impairment loss has been charged to the Comprehensive Income and Expenditure Statement against the following services:

- People and Communities (£4,318k)
- Place and Economy (£520k)
- Corporate Services (£259k)
- Commercial and Investments (£1,254k)

36. RETIREMENT BENEFITS

DEFINED BENEFIT PENSION SCHEMES

Participation in pension schemes

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

The Council participates in two post-employment schemes:

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

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

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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 the Council are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

As previously stated, the Local Government Pension Scheme (LGPS) is administered locally by Cambridgeshire County Council on behalf of all participating employers. It should be noted that the following figures only represent the Council's share as a participating employer. The figures for the entire LGPS administered by Cambridgeshire County Council are shown in the Pension Fund Accounts on pages 125-165. As further explained in the Pension Fund Accounts, employer contributions to the scheme are based on two rates, which are reassessed every three years as part of the valuation undertaken by the Fund's actuary:

- Primary rate – employer contribution to fund the cost of new benefits accruing in the Fund;
- Secondary rate – employer contribution required to achieve 100% solvency over a maximum period of 20 years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable (i.e. no fund deficit).

Other Supporting Notes

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:

2017-18 £000	Local Government Pension Scheme	2018-19 £000
	Comprehensive Income and Expenditure Statement:	
	Cost of services - service cost comprising:	
52,053	Current service cost	50,720
617	Past service cost	5,540
-11,580	Gain (-) or loss (+) from settlements	-17,200
	Financing and investment income and expenditure:	
13,223	Net interest expense	13,486
54,313	**Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**52,546**
	Other Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined benefit liability comprising:	
4,025	Return on plan assets (excluding the amount included in net interest)	-39,550
0	Actuarial gains (-) and losses (+) arising on changes in demographic assumptions	0
-29,102	Actuarial gains (-) and losses (+) arising on changes in financial assumptions	125,370
699	Other	132
29,935	**Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**138,498**
	Movement in Reserves Statement:	
21,619	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	105,999
	Actual Amount Charged Against the General Fund Balance for Pensions in the Year:	
-32,694	**Employers' contributions payable to scheme**	**-32,499**
40,264	**Retirement Benefits payable to pensioners**	**41,578**

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:

2017-18 £000		2018-19 £000
-1,537,831	Present value of the defined benefit obligation	-1,698,964
1,030,722	Fair value of plan assets	1,085,857
-507,109		**-613,107**

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

2017-18 £000		2018-19 £000
1,012,447	**Opening Fair Value of Schemes**	**1,030,722**
26,206	Interest income	27,480
	Remeasurement gains (+) or losses (-):	
-4,025	Return on plan assets (excluding the amount included in the net interest expense)	39,550
-4,585	Effect on settlements	-11,010
32,694	Contributions from employer	29,650
8,249	Contributions from employees into the scheme	8,193
-40,264	Benefits paid	-38,729
1,030,722		**1,085,856**

Cambridgeshire County Council

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

2017-18 £000		2018-19 £000
1,522,315	**Opening Defined Benefit Obligation**	1,537,831
52,053	Current service cost	50,720
39,429	Interest cost	40,966
8,249	Contribution by scheme articipants	8,193
	Remeasurement gains (-) or losses (+):	
0	Arising from changes in demographic assumptions	0
-29,102	Arising from changes in financial assumptions	125,370
699	Other	132
617	Past service costs (including curtailments)	5,540
-40,264	Benefits paid	-41,578
-16,165	Liabilities extinguished on settlements	-28,210
1,537,831		**1,698,964**

Local Government Pension Scheme assets comprise:

2017-18 £000		2018-19 £000
33,185	Cash and Cash Equivalents	13,447
	Equity instruments (by industry type):	
28,622	Consumer	32,806
18,508	Manufacturing	19,544
22,183	Energy and utilities	22,803
44,419	Financial institutions	40,818
10,934	Health and care	6,571
4,865	Information technology	5,777
162,716		**141,766**
95,605	Private equity	82,216
25,985	Debt securities (bonds) - Government	26,936
	Investment funds and unit trusts:	
570,817	Equities	608,286
103,589	Bonds	100,906
0	Infrastructure	45,196
72,009	Other	80,550
868,006		**944,090**
1,030,722		**1,085,856**

Basis for estimating assets and liabilities

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

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

The significant assumptions including the discount rate used by the actuary have been:

2017-18		2018-19
Years	**Mortality assumptions:**	**Years**
	Longevity at 65 for current pensioners:	
22.4	Men	22.4
24.4	Women	24.4
	Longevity at 65 for future pensioner:	
24.0	Men	24.0
26.3	Women	26.3
%	**Other assumptions:**	**%**
2.4	Rate of inflation	2.5
2.7	Rate of increase in salaries	2.8
2.4	Rate of increase in pensions	2.5
2.7	Rate for discounting scheme liabilities	2.4

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

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

	Impact on the Defined Benefit Obligation in the Scheme £000
0.5% decrease in inflation/discount rate	173,344
0.5% increase in salary rate	18,380
0.5% increase in pension increase rate	152,589

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

The Council is anticipated to pay £29.5m employer contributions to the scheme in 2019-20.
The weighted average duration of the defined benefit obligation for scheme members is 18 years.

The Court of Appeal decision on the 28 June 2019 in the Sargeant/McCloud cases (generally referred to for the LGPS as “McCloud”) ruled that the transitional protection afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The liabilities disclosed above include an allowance for the McCloud ruling, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. The calculation of this allowance was provided by the Council's actuary.

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 2018-19, the Council paid £10.7m to Teachers' Pensions in respect of teachers' retirement benefits (2017-18 £11.5m). There were no contributions remaining payable at the year-end. Contributions in 2019-20 are expected to be at a similar level.

2017-18 £000	Teachers' Pension Scheme	2018-19 £000
11,471	Employer's contributions	10,715
6,306	Employee contributions	5,853
17,777	**Total Paid to Department for Education**	**16,568**

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.

NHS Pension Scheme Costs

Under the arrangements for Public Health, a number of staff performing public health functions transferred from the NHS to the Council. Those who had access to the NHS pension scheme on 31 March 2013 retained access to the scheme on transfer at 1 April 2013. The NHS scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. However, in the NHS it is accounted for as if it were a defined contribution scheme. As the NHS bodies account for the scheme as a defined contribution plan it is being accounted for in the same way for transferred public health staff as local authorities are unable to identify the underlying scheme assets and liabilities for those employees. In 2018/19, £0.5m (17/18 £0.5m) was paid in employer contributions in relation to the scheme.

37. 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 measures as interest rates or stock market movements.

Overall Procedures for Managing Risk

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

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

Credit risk

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

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

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
- Credit Default Swap (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 2019/20 was approved by Full Council in February 2018 and is available on the Council's website

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.

The Council's maximum exposure to credit risk in relation to its investments of £15.785m 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 to recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 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.

The Council's credit risk exposure to its customers and entities that it loans funds to (such as This Land Limited) is monitored and regularly reviewed to ensure that money owed to the Council is paid as it falls due. The value of these amounts are impaired if it's felt that that this debt would not be recoverable.

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 anticipated annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Of the sums owing, £3.1m are due to be paid in less than one year, with the expectation that long term investments of £12.6m will be held for a period of over a year.

Refinancing and Maturity risk

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

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

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

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

31-Mar-18 £000	Debt maturity (lower/upper limits as % of debt)	Approved limit %		31-Mar-19 £000
152,443	Less than 1 year	0 – 80	22%	130,871
5,000	1-2 years	0 – 50	16%	97,739
49,611	2-5 years	0 – 50	12%	70,067
67,961	5-10 years	0 – 50	10%	61,766
222,845	10 years and above	0 – 100	40%	241,115
497,860	**Total**			**470,687**

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 (balance at 31 March 2019 £15.7m).

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 or 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,

38. PRIOR PERIOD ERROR

ERROR ON DISCLOSURES OF THE REVALUATION RESERVE AND CAPITAL ADJUSTMENT ACCOUNT FOR THE FINANCIAL YEAR 2017-18

Description of error

During a data cleansing exercise undertaken for the implementation of a new fixed asset register, the Council discovered errors in the accounting for revaluation of a number of assets in the previous fixed asset register. The errors had occurred where manual valuation adjustments (required due to inflexibility in the old system) had been processed and the assets had subsequently been disposed or revalued again in later years. The value of the errors totalled £26.2m and occurred over a number of years, but were limited to transfers between the revaluation reserve and the capital adjustment account, both of which are unusable reserves.

Details of correction

In order to correct this error, the Council has restated the prior year figures for the revaluation reserve and capital adjustment account. Although the errors occurred over a period of several years, the records available were not sufficient to enable an accurate breakdown of the value in each year. As a result, and in line with the Code, restated figures in 2017/18 for the two unusable reserves have been provided, as well as restated figures for the CIES (which net to nil but impacted on a number of different lines) as well as the MIRS, the details of which of which are outlined below

Effect on the revaluation reserve and the capital adjustment account

	As Previously Stated 31-Mar-18 £000	As Restated 31-Mar-18 £000	Correction 2017-18 £000
Revaluation reserve	539,295	513,115	-26,180
Capital adjustment account	573,740	599,920	26,180
Impact on Unusable Reserves Total			**0**

Effect on the Comprehensive Income and Expenditure Statement (CIES)

	Net Expenditure (+) / Income (-)		
	As Previously Stated 2017-18 £000	As Restated 2017-18 £000	Correction 2017-18 £000
Place & Economy	88,355	87,265	**-1,090**
People & Communities	269,045	262,985	**-6,060**
Public Health	651	651	**0**
Corporate Services & LGSS Managed	15,557	15,557	**0**
Commercial & Investment	2,887	-2,705	**-5,592**
LGSS Operational	11,318	11,318	**0**
Cost of Services	**387,813**	**375,071**	**-12,742**
Other operating income and expenditure	73,935	73,935	**0**
Financing and investment income and expenditure	37,554	37,554	**0**
Taxation and non specific grant income	-402,571	-402,571	**0**
Surplus (-) or Deficit (+) on Provision of Services	**96,731**	**83,989**	**-12,742**
Surplus (-) or deficit (+) on revaluation of property, plant and equipment	-78,988	-56,010	**22,978**
Impairment and revaluation loss charged to the revaluation reserve	27,804	17,567	**-10,237**
Remeasurement of net pension benefit/liability	-24,378	-24,378	**0**
Other Comprehensive Income (-) and Expenditure (+)	**-75,562**	**-62,821**	**12,741**
Total Comprehensive Income (-) and Expenditure (+)	**21,169**	**21,169**	**21,169**

Cambridgeshire County Council

Effect on the movement in reserves statement (MIRS)

As Previously Stated	General Fund *	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total	Unusable Reserves Total	Reserves Total
	£000	£000	£000	£000	£000	£000
Balance at 1-Apr-17	**86,705**	**1,116**	**69,957**	**157,778**	**615,454**	**773,232**
Movement in 2017/18						
Total comprehensive income and expenditure	-96,731	0	0	-96,731	75,563	-21,168
Adjustments between accounting and funding basis under regulations (note 18)	90,213	-1,116	-19,896	69,201	-69,201	0
Increase (+) or decrease (-) in 2017-18	-6,518	-1,116	-19,896	-27,530	6,362	-21,168
Balance at 31-Mar-18	**80,187**	**0**	**50,061**	**130,248**	**621,816**	**752,064**

As Restated	General Fund *	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total	Unusable Reserves Total	Reserves Total
	£000	£000	£000	£000	£000	£000
Balance at 1-Apr-17	**86,705**	**1,116**	**69,957**	**157,778**	**615,454**	**773,232**
Movement in 2017/18						
Total comprehensive income and expenditure	-83,989	0	0	-83,989	62,821	-21,168
Adjustments between accounting and funding basis under regulations (note 18)	77,471	-1,116	-19,896	56,459	-56,459	0
Increase (+) or decrease (-) in 2017-18	-6,518	-1,116	-19,896	-27,530	6,362	-21,168
Balance at 31-Mar-18	**80,187**	**0**	**50,061**	**130,248**	**621,816**	**752,064**

Correction	General Fund *	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total	Unusable Reserves Total	Reserves Total
	£000	£000	£000	£000	£000	£000
Balance at 1-Apr-17	**86,705**	**1,116**	**69,957**	**157,778**	**615,454**	**773,232**
Movement in 2017/18						
Total comprehensive income and expenditure	12,742	0	0	12,742	-12,742	0
Adjustments between accounting and funding basis under regulations (note 18)	-12,742	0	0	-12,742	12,742	0
Increase (+) or decrease (-) in 2017-18	0	0	0	0	0	0
Balance at 31-Mar-18	**86,705**	**1,116**	**69,957**	**157,778**	**615,454**	**773,232**

39. 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 8 analysing income and expenditure.

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.

Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2019:

LGSS with Northamptonshire County Council and Milton Keynes Council			
Legal status of entity	Joint Committee		
Business of entity	Joint delivery of transactional and professional functions with a view to more economical, efficient and effective services		
Council's share of entity		2017-18 33%	2018-19 33%

LGSS was established in October 2010 and is delivered through a joint committee with its own management team. LGSS is jointly owned by Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council and provides complete back office services and corporate support functions to other public service organisations including several District & Borough Councils (e.g. Northampton Borough and Norwich City Council), NHS Health Bodies, Adult Social Care (e.g. Olympus Care Services) and schools. (LGSS is not a joint arrangement, associate or subsidiary). The value of LGSS transactions is shown in the LGSS Operational line of the Comprehensive Income and Expenditure Statement.

LGSS Law Ltd

LGSS Law Ltd was spun off from the existing LGSS shared service venture, operating as a private limited company to take advantage of the Alternative Business Structure status that allowed non-lawyers to own legal practices. Ownership is split equally between Cambridgeshire County Council (CCC), Northamptonshire County Council (NCC) and Central Bedfordshire Council, with each Council owning 50 shares each.

During 2018-19 the Council made payments of £1.7m (2017-18 £3.9m) to LGSS Law Ltd as payment for legal services received in the year. At 31 March 2019 there was a debtor balance of £2.3m and a creditor balance of £0.4m with LGSS Law Ltd.

The Council has considered that group accounts will not be required for LGSS Law Ltd, as the net worth of LGSS Law Ltd and exposure to risk is not material. Users of the Council accounts will be able to see the complete activities of the Council and its exposure to risk without producing group accounts.

Annual Statement of Accounts for LGSS Law Ltd are published separately and lodged at Companies House.

Pensions

Administrative and other recharges made by the Council to the Pension Fund totalled £2.2m (2017-18 £2.4m).

The Council is also the single largest employer of members of the Pension Fund and contributed £21.2m to the Fund in 2018-19 (2017-18: £30.3m). At 31 March 2019 there was £0.2m (31 March 2018: £2.0m) due to the Fund by the Council.

Cambridge and Counties Bank

Cambridge and Counties Bank (CCB) specialises in providing lending and deposit products to UK- based SMEs. Its key products include business deposits, loans secured on property, secured pension lending and asset finance. The Council's Section 151 Officer is a Non-executive Director on the Board of CCB for which CCB pays £50k p.a. to the Council. There was no outstanding balance at year end.

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 2019 is £81.1m (£65.8m at the 31st March 2018).

This Land Group

The Cambridgeshire Housing Investment Company (CHIC) was incorporated in June 2016, and subsequently renamed as This Land Limited on 14 February 2018. 'This Land Group' now comprises a number of subsidiary entities in addition to the parent (the subsidiaries are This Land Development Limited, This Land Investment Limited, This Land Asset Management Limited and This Land Finance Limited). Cambridgeshire County Council is the sole and ultimate owner of all parts of the This Land Group. At 31 March 2019 there was a debtor balance of £88.5m with the This Land Group, being loans by CCC to the This Land Group. As the Council has control of the entity and there are material transactions with the company, the This Land Group is consolidated in the Group Accounts (page 130).

Opus LGSS People Solutions Ltd

Opus LGSS is a joint venture between Opus People Solutions (a wholly-owned subsidiary of Suffolk County Council) and LGSS set up in July 2016 to meet the temporary and interim recruitment needs of Cambridgeshire County Council and Northamptonshire County Council. The Council has a 20% shareholding in the company.

During 2018-19 the Council made payments of £10m to Opus LGSS People Solutions for agency staff fees. At 31 March 2019 there was no outstanding balance.

40. CONTINGENT LIABILITIES

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

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

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

Guided Busway

The Council is currently in dispute with the contractor (BAM Nuttall) that 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.

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

Cambridgeshire Archives

The archives collections held by Cambridgeshire Archives include original historical documents relating to the area covered by the modern county of Cambridgeshire. 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 366,000 items. There are many thousands of other historical documents which are still to be catalogued.

Governance

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

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

<u>Storage and preservation</u>

The archival collections are held in secure, environmentally-monitored strong rooms. The strong rooms in the basement of Shire Hall, Cambridge, do not meet the current standard and we were informed by The National Archives that they expected the Council to find alternative storage. As such the Council is working on a project to convert the former Strikes Bowling Alley building in Ely to an archives repository, with the intention of moving there the records held in Shire Hall basement and in Cottenham out-store. The move to Ely will take place in 2019. The strong room at Huntingdon Library and Archives does meet the expected standard.

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

<u>Status of acquisitions</u>

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

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

No market valuations are made at time of accession, as the Council does not consider that reliable valuation information can be obtained given the lack of any comparable market values. The vast majority of other historical documents of comparable scope and importance are already held by other county record offices and therefore do not appear on the market. The only recent acquisitions for which the service has definite valuations are those which have been acquired through purchase, or occasionally through donation where a third party has paid for the cost of purchase. Reference is made to recent instances in note 23.

However, given that the majority of heritage assets under the control of the Council were valued as part of the latest valuations (which took place in 2008) and the nature and quantum of assets not valued at accession since the latest valuation, the values listed in the statement of accounts are materially accurate. Therefore the 2008 valuation continues to provide useful and relevant information about the Council's archive assets. The Council reviews this assumption on a yearly basis, and will procure new valuations when it's no longer accurate.

Local Studies

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

Archaeology and Monuments

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

Notable highlights of the collection include assemblages from the earliest origins of the county's cities and towns, including Cambridge, Ely and Huntingdon. We also store c.1500 human skeletons (all older than 100 years) from several important cemetery excavations, along with associated grave goods in many instances.

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

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

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

Other Supporting Notes

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

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

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

Art Collection

The art collection consists of 50 paintings, prints, drawings and photographs. The primary use of the collection is by Cambridgeshire schools to support and enrich the curriculum. Requests for works can be made by schools through the Council's website. The average insurance valuation per work is £300. 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.

GROUP ACCOUNTS

FOREWORD

Cambridgeshire County Council established a wholly owned housing company in order to derive a financial return, which was incorporated on 17 June 2016. The underlying objective of creating a commercial vehicle of this nature is to provide new revenue sources to support the delivery of front line services to Cambridgeshire residents. From 15 February 2018, the company was renamed 'This Land'. Previously, the company was known as Cambridgeshire Housing & Investment Company but has now rebranded and changed its name at Companies House.

'This Land Group' now comprises a number of subsidiary entities in addition to the parent (the subsidiaries are This Land Development Limited, This Land Investment Limited, This Land Asset Management Limited and This Land Finance Limited). Cambridgeshire County Council is the sole and ultimate owner of all parts of the This Land Group.

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and This Land Limited have been consolidated.

The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement

These statements are set out on the following pages, together with accompanying disclosure notes. Disclosure notes have only been included in the group accounts section where they are materially different from those of the Council's single entity accounts.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017-18 (RESTATED)				2018-19		
Gross Expenditure £000	Gross Income £000	Net Expenditure/ £000		Gross Expenditure £000	Gross Income £000	Net Expenditure/ Income (-) £000
138,091	-50,826	**87,265**	Place and Economy	110,267	-29,915	**80,352**
693,106	-430,121	**262,985**	People and Communities	694,753	-399,890	**294,863**
27,156	-26,505	**651**	Public Health	26,555	-26,023	**532**
29,458	-4,123	**25,335**	Corporate Services & LGSS Managed	31,752	-8,819	**22,933**
15,324	-18,092	**-2,768**	Commercial & Investments	23,416	-17,925	**5,491**
22,059	-10,741	**11,318**	LGSS Operational	21,043	-9,565	**11,478**
925,194	**-540,408**	**384,786**	**Cost Of Services**	**907,786**	**-492,137**	**415,649**
	-	**73,935**	Other operating expenditure	391	-16,009	**-15,618**
73,935						
40,898	-3,281	**37,617**	Financing and investment income/ expenditure	44,694	-3,751	**40,943**
-	-412,349	**-412,349**	Taxation and Non-Specific Grant Income	0	-427,949	**-427,949**
		83,989	**Surplus (-) or Deficit on Provision of Services**			**13,025**
		-56,010	Surplus on revaluation of Property, Plant and Equipment			**-105,162**
		17,567	Impairment and revaluation losses charged to the Revaluation Reserve			**52,161**
		-22,833	Re-measurement of net pension benefit/ liability			**63,433**
		-61,276	**Other Comprehensive Income and Expenditure**			**10,432**
		22,713	**Total Comprehensive Income (-) and Expenditure**			**23,457**

GROUP BALANCE SHEET

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 4).

31-Mar-18		31-Mar-19
£000		£000
1,792,349	Property, Plant and Equipment	1,877,841
21,214	Heritage Assets	18,660
9,101	Investment Property	43,466
4,781	Intangible Assets	8,298
400	Long Term Investments	14,597
50,296	Long Term Debtors	122,832
1,878,141	**Long Term Assets**	**2,085,694**
0	Short Term Investments	325
9,448	Assets Held for Sale	3,231
860	Inventories/WIP	87,488
99,877	Short Term Debtors	42,329
66,138	Cash and Cash Equivalents	23,626
176,323	**Current Assets**	**156,999**

Cambridgeshire County Council

GROUP BALANCE SHEET CONTINUED

31-Mar-18 £000		31-Mar-19 £000
0	Cash and Cash Equivalents	0
-148,522	Short Term Borrowing	-170,871
-125,075	Short Term Creditors	-124,522
-3,715	Provisions	-2,454
-2,928	Capital Grants and Contributions Receipts in Adva	-3,005
-280,240	**Current Liabilities**	-300,852
-5,824	Provisions	-6,184
-351,214	Long Term Borrowing	-430,687
-625,731	Other Long Term Liabilities	-725,854
-40,936	Capital Grants and Contributions Receipts in Adva	-52,052
-1,023,705	**Long Term Liabilities**	-1,214,777
750,519	**Net Assets**	727,063
128,703	Usable Reserves	124,865
621,816	Unusable Reserves	602,198
750,519	**Total Reserves**	727,063

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total	Unusable Reserves Total	Reserves Total
	£000	£000	£000	£000	£000	£000
Balance at 1-Apr-17	**86,705**	**1,116**	**69,957**	**157,778**	**615,454**	**773,232**
Movement in 2017-18:						
Total comprehensive income and expenditure	-83,989	-	-	**-83,989**	**61,276**	**-22,713**
Adjustments between accounting and funding basis under regulations	75,926	-1,116	-19,896	**54,914**	**-54,914**	**-**
Increase/ decrease (-) in 2017-18	**-8,063**	**-1,116**	**-19,896**	**-29,075**	**6,362**	**-22,713**
Balance at 31-Mar-18	**78,642**	**0**	**50,061**	**128,703**	**621,816**	**750,519**
Movement in 2018-19:						
Total comprehensive income and expenditure	-13,025			**-13,025**	**-10,432**	**-23,457**
Adjustments between accounting and funding basis under regulations	11,576	20,443	-22,833	**9,186**	**-9,186**	**0**
Increase/ decrease (-) in 2018-19	**-1,449**	**20,443**	**-22,833**	**-3,839**	**-19,617**	**-23,457**
Balance at 31-Mar-19	**77,193**	**20,443**	**27,228**	**124,864**	**602,199**	**727,062**

The purpose of this statement is explained in the Narrative Report of the Council’s single entity accounts (page 14).

GROUP CASH FLOW STATEMENT

The purpose of this statement is explained in the Narrative Report of the Council’s single entity accounts (page 14).

2017-18 £000		2018-19 £000
83,989	**Net deficit on the provision of services**	**13,025**
-37,331	Depreciation	-38,543
599	Impairment and downward valuations	-22,497
-288	Amortisation	-1,886
4,374	Increase (-)/ decrease in creditors	-4,178
-23,593	Increase/ decrease (-) in debtors	14,988
-64	Increase/ decrease (-) in inventories	86,628
-20,073	Movement in pension liability (difference between employer's contributions paid and IAS19 adjustments)	-37,950
-76,635	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-49,443
4,440	Other non-cash items charged to the deficit on the provision of services	16,016
-148,571	**Adjustments to the net deficit on the provision of services for non-cash movements:**	**-36,866**
2,893	Proceeds from the sale of property, plant and equipment	0
58,380	Grants for financing capital expenditure	0
56	Any other items for which the cash effects are investing or financing activities	14,522
61,329	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**14,522**
-3,253	**Net cash flows from Operating Activities**	**-9,319**
96,644	Purchase of property, plant and equipment	160,356
-3,407	Proceeds from the sale of property, plant and equipment	0
-72,089	Capital Grants Received	-11,193
21,148	**Investing Activities**	**149,163**
-300,000	Cash receipts of short and long-term borrowing	-367,947
1,731	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	4,492
242,162	Repayments of short and long-term borrowing	266,125
-56,107	**Financing Activities**	**-97,330**
-38,212	**Net increase (-)/ decrease in cash and cash equivalents**	**42,513**
27,926	Cash and cash equivalents at the beginning of the reporting year	66,138
66,138	**Cash and cash equivalents at the end of the reporting year**	**23,625**

NOTES TO THE GROUP ACCOUNTS

1. GROUP BOUNDARY

This Land Limited was incorporated on 17 June 2016 (as Cambridgeshire Housing and Investment Company Limited). All the share capital of the company was acquired by Cambridgeshire County Council

Cambridgeshire County Council owns 100% of the share capital of This Land Limited. This Land Ltd is a subsidiary for accounting purposes, and have been consolidated into the Council's group accounts.

None of the other Trading Companies in which the Council has an interest are considered material enough to merit consolidation into the Council's Group Accounts. Details of these can be seen within the Related Parties note in the Council's single entity accounts (Note 39).

2. BASIS OF CONSOLIDATION

The financial statements of This Land Limited have been consolidated with those of the Council on a line by line basis; which has eliminated balances, transactions, income and expenses between the Council and the subsidiary. The financial year for This Land Limited ends on 31st December; the following documents have been used in the consolidation for the period 1 April 2018 to 31 March 2019:

- This Land Limited Financial Statements for the period ended 30 June 2017 (apportioned for three months);
- This Land Limited Financial Statements for the period ended 31 December 2018;
- This Land Limited management accounts for the period 1 January 2019 to 31 March 2019.

3. BUSINESS ACTIVITIES OF THE SUBSIDIARIES

This Land Limited (and its subsidiaries) has been established as a housing company that will commercially deliver residential housing on sites currently used for other purposes.

4. ACCOUNTING POLICIES

In preparing the Group Accounts the Council has aligned the accounting policies of the subsidiaries with those of the Council. The accounting policies of This Land Limited are the same as those of Cambridgeshire County Council (refer to Appendix 1), with the following addition for This Land Limited:

- **Deferred taxation**

  Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits which the underlying timing differences can be deducted.

5. LONG TERM DEBTORS

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

31-Mar-18		31-Mar-19
£000		£000
8,707	Bodies external to central government (i.e. all other bodies)	101,243
20,000	Central government bodies	0
21,589	Long term finance lease receivable	21,589
50,296	**Total**	122,832

6. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial Instrument are carried on the combined Balance Sheets of the group. The main changes from the single entity accounts relate to the Cash & Cash Equivalents, Borrowings and Loans and Receivables as these transactions have been eliminated as part of the production of the draft accounts

	Long-term		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£000	£000	£000	£000
Investments:				
Available-for-sale financial assets	400	**400**	**0**	**0**
	400	**400**	**0**	0
Cash and cash equivalents:				
Cash and cash equivalents	0	**0**	**39,280**	**21,459**
	0	**0**	**39,280**	21,459
Loans and receivables:				
Loans and receivables (excluding prepayments)	78,466	**122,832**	99,538	**110,067**
	78,466	**122,832**	**99,538**	110,067
Borrowings:				
Financial liabilities at amortised cost	-351,214	**-430,687**	-148,522	**-170,871**
	-351,214	**-430,687**	**-148,522**	-170,871
Other liabilities:				
Other liabilities	-118,623	**-113,980**	**-96,179**	**-94,512**
	-118,623	**-113,980**	**-96,179**	**-94,512**

7. CASH AND CASH EQUIVALENTS

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

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

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

31-Mar-18		31-Mar-19
£0		£0
41,329	Cash held by the Council	23,626
24,809	Cash equivalents	
-	Overdraft	0
66,138	**Total Cash and Cash Equivalents**	**23,626**

Cambridgeshire County Council

Fund Account

31-Mar-18 £000		Notes	31-Mar-19 £000
	Dealings with members, employers and others directly involved in the fund:		
128,410	Contributions	7	124,572
4,932	Transfers in from other pension funds	8	4,882
133,342			**129,454**
(99,345)	Benefits	9	(106,259)
(10,126)	Payments to and on account of leavers	10	(11,171)
(109,471)			**(117,430)**
23,871	**Net additions/(withdrawals) from dealing with members**		**12,024**
(16,954)	Management Expenses	11	**(16,889)**
6,917	**Net additions/(withdrawals) including fund management expenses**		**(4,865)**
	Returns on investments:		
38,142	Investment income	13	45,493
(329)	Taxes on income		(85)
70,998	Profit and (losses) on disposal of investments and changes in the value of investments	14a, 17b	182,745
108,811	**Net return on investments**		**228,153**
115,728	**Net increase/(decrease) in the net assets available for benefits during the year**		**223,288**
2,853,578	Opening net assets of the scheme		2,969,306
2,969,306	**Closing net assets of the scheme**		**3,192,594**

Net Asset Statement

31-Mar-18 £000		Notes	31-Mar-19 £000
2,916,032	Investment assets		**3,177,716**
-	Investment liabilities		**(345)**
2,916,032	**Total net investments**	14	**3,177,371**
57,564	Current assets	21	**18,068**
(5,554)	Current liabilities	23	**(3,477)**
52,010	**Net Current Assets**		**14,591**
1,264	Non-current assets	22	632
2,969,306	**Net assets of the Fund available to fund benefits at the end of the reporting period**	**17a**	**3,192,594**

Notes on pages 140 to 187 form part of the financial statements.

Note: The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits.

Cambridgeshire County Council

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Cambridgeshire County Council

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1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2018-19, published separately, and the underlying statutory powers underpinning the scheme.

General

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

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

The Fund 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.

As at 31 March 2019 there are 254 (2018: 206) active employers within the Cambridgeshire Pension Fund, including the County Council itself. The Fund has over 82,000 individual members, as detailed below:

	31-Mar-18	31-Mar-19
Number of employers with active members	206	254
Number of employees in scheme:		
County council	9,726	9,829
Other employers	17,771	19,147
Total	**27,497**	**28,976**
Number of Pensioners:		
County council	8,352	8,410
Other employers	9,702	10,365
Total	**18,054**	**18,775**
Deferred pensioners:		
County council	16,962	12,719
Other employers	18,303	14,940
Total	**35,265**	**27,659**
Undecided Leavers:		
County council	*	3,233
Other employers	*	4,266
		7,499
Total members	**80,816**	**82,909**

*included in deferred pensioners at 31 March 2018

Funding

Benefits are funded by contributions and investment earnings. 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 2019. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

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

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

Career Average Revalued Earnings (CARE)

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

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

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2018-19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2018-19.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20.

The accounts have been prepared on a going concern basis.

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 in Notes 8 and 10.

Individual transfers in/out are accounted for on a cash basis.

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

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

Investment income

i) *Interest income*

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

ii) *Dividend income*

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

v) Stock lending

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

Fund Account – expense items

Benefits payable

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

Taxation

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

Management expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

Investment management expenses are accounted for on an accruals basis.

Fees of 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

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 2018-19, £1.6m of fees are based upon such estimates (2017-18: £ 1.5m). In addition, manager fees deducted from pooled funds of £7.2m (2017-18: £7.9m) are estimated based upon information received from fund managers.

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

Net Assets Statement

Financial assets
Financial assets are included in the Net Assets Statement on a fair value basis, except for loans and receivables.

Loans and receivables are assets for which the amounts receivable are fixed and determinable and where the Fund has not designated the asset at fair value through profit and loss. This includes contributions owing from employers and cash deposits. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, including those within the ACCESS asset pool, but excluding cash held by investment managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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

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

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

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

Financial liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measure them at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

Actuarial present value of promised retirement benefits

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

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

Additional voluntary contributions

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

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

Contingent assets and liabilities

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

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

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

Accounting Standards Issued, not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018 – 2019 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted. There are no such standards which would materially impact the Fund.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension fund liability

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

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

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

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

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

The items in the Net Assets Statement as 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial present value of promised retirement benefits**

Uncertainties: 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 actuary has included the McCloud judgement within their calculation shown in note 20.

Effect if actual results differ from assumptions: 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 £516m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £69m, and a one-year increase in assumed life expectancy would approximately increase the liabilities by between 3-5%. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.

- **Cambridge and Counties Bank**

Uncertainties: Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. The Pension Fund has appointed an independent, professional valuer to advise a suitable valuation. The Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.

Effect if actual results differ from assumptions: The investment in the financial statements is £81.1m.There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £80.6m to £81.7m. The mid-point of this valuation range has been applied within the Fund's accounts.

- **Other private equity and infrastructure**

Uncertainties: 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. See Note 16a.

Effect if actual results differ from assumptions: Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £282.8m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 24.7%, which indicates that Other private equity and infrastructure values may range from £352.7m to £212.9m.

6. EVENTS AFTER THE BALANCE SHEET DATE

The actuary has included the McCloud judgement impact within their calculation within note 20. There have been no further events since 31 March 2019, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By category

2017-18 £000		2018-19 £000
25,322	**Employees' contributions**	**26,427**
	Employers' contributions:	
82,290	Normal contributions	84,341
20,798	Deficit recovery contributions	13,804
103,088	**Total employers' contributions**	**98,145**
128,410		**124,572**

By authority

2017-18 £000		2018-19 £000
38,591	Administering Authority	**27,027**
82,374	Scheduled bodies	**91,122**
7,445	Admitted bodies	**6,423**
128,410		**124,572**

Cambridgeshire County Council

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2017-18 £000		2018-19 £000
4,932	Individual transfers	**4,882**
4,932		**4,882**

9. BENEFITS PAYABLE

By category

2017-18 £000		2018-19 £000
78,846	Pensions	**84,204**
18,573	Commutation and lump sum retirement benefits	**19,244**
1,926	Lump sum death benefits	**2,811**
99,345		**106,259**

By authority

2017-18 £000		2018-19 £000
39,324	Administering Authority	**36,750**
51,707	Scheduled Bodies	**60,117**
8,314	Admitted Bodies	**9,392**
99,345		**106,259**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2017-18 £000		2018-19 £000
358	Refunds to members leaving service	400
-	Group transfers	4,732
9,768	Individual transfers	6,039
10,126		11,171

11. MANAGEMENT EXPENSES

2017-18 £000		2018-19 £000
2,277	Administrative costs	2,018
14,502	Investment management expenses	14,544
175	Oversight and governance costs	327
16,954		16,889

Fees payable to External Auditors, included within Oversight and governance costs, were £17k during the year (2017-18 £22k).

12. INVESTMENT MANAGEMENT EXPENSES

2017-18 £000		2018-19 £000
12,233	Management fees	11,904
524	Performance related fees	1,068
1,212	Transaction costs	606
533	Other costs	966
14,502		14,544

13. INVESTMENT INCOME

2017-18 £000		2018-19 £000
421	Income from bonds	424
15,633	Income from equities	18,775
9,952	Pooled investments – unit trusts and other managed funds	14,461
6,747	Pooled Property Investments	7,277
4,733	Private equity/infrastructure income	4,001
441	Interest on cash deposits	360
215	Other – securities lending income	195
38,142		45,493

14. INVESTMENTS

31-Mar-18 £000		31-Mar-19 £000
	Investment assets	
74,578	Bonds	79,206
371,765	Equities	377,322
1,953,899	Pooled investments	2,086,961
206,671	Pooled property investments	236,858
274,393	Private equity/infrastructure	363,874
31,191	Cash deposits	27,593
3,535	Investment income due	3,992
-	Amounts receivable for sales	1,910
2,916,032	**Total investment assets**	3,177,716
	Investment liabilities	
-	Amounts payable for purchases	(345)
-	**Total investment liabilities**	(345)
2,916,032	**Net investment assets**	3,177,371

14(a) Reconciliation of movements in investments and derivatives

	Market value 1-Apr-18 £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-19 £000
Bonds	**74,578**	702	-	3,926	**79,206**
Equities	**371,765**	66,282	(63,531)	2,806	**377,322**
Pooled investments	**1,953,899**	1,310,227	(1,316,014)	138,849	**2,086,961**
Pooled property investments	**206,671**	45,324	(21,495)	6,358	**236,858**
Private equity/infrastructure	**274,393**	95,027	(35,645)	30,099	**363,874**
	2,881,306	1,517,562	(1,436,685)	182,038	**3,144,221**
Derivative contracts:					
• Forward Currency Contracts	-	6	(15)	9	-
	2,881,306	1,517,568	(1,436,700)	182,047	**3,144,221**
Other investment balances:*					
• Cash deposits	**31,191**			723	**27,593**
• Investment income due	**3,535**			-	**3,992**
• Amounts receivable from sales of investments	-			-	**1,910**
• Spot FX contracts	-			(25)	-
• Amounts payable for purchases of investments	-			-	**(345)**
Net investment assets*	**2,916,032**			**182,745**	**3,177,371**
				Note 17b	

* Other investment balances and Net investment assets do not add across as purchases, sales and other movements are not disclosed here, in accordance with CIPFA guidance.

	Market value 1-Apr-17 £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-18 £000
Bonds	**74,590**	-	-	(12)	**74,578**
Equities	**357,733**	45,642	(26,329)	(5,281)	**371,765**
Pooled investments	**1,898,748**	216,414	(196,223)	34,960	**1,953,899**
Pooled property investments	**192,549**	15,113	(19,066)	18,075	**206,671**
Private equity/infrastructure	**246,179**	57,023	(53,442)	24,633	**274,393**
	2,769,799	334,192	(295,060)	72,375	**2,881,306**
Derivative contracts:					
• Forward Currency Contracts	-	18	-	(18)	-
	2,769,799	334,210	(295,060)	72,357	**2,881,306**
Other investment balances:*					
• Cash deposits	**41,910**			(1,310)	**31,191**
• Investment income due	**2,714**			-	**3,535**
• Spot FX contracts	-			(49)	-
• Amounts payable for purchases of investments	**(1,137)**			-	-
Net investment assets*	**2,813,286**			**70,998**	**2,916,032**

* Other investment balances and Net investment assets do not add across as purchases, sales and other movements are not disclosed here, in accordance with CIPFA guidance.

14(b). Analysis of Investments

Pension Fund and Supporting Notes

31-Mar-18 £000		31-Mar-19 £000
	Bonds	
74,578	**UK –** Public sector quoted	79,206
74,578		**79,206**
	Equities	
357,135	**UK -** Quoted	357,667
14,630	**Overseas -** Quoted	19,655
371,765		**377,322**
	Pooled funds – additional analysis	
68,404	**UK -** Fixed income	70,173
257,953	**UK -** Equity	70,343
228,902	**Overseas -** Fixed income	226,543
1,380,326	**Overseas -** Equity	1,718,324
18,314	**Overseas -** Cash Fund	1,578
1,953,899		**2,086,961**
206,671	Pooled property investments	236,858
274,393	Private equity/ infrastructure	363,874
481,064		**600,732**
31,191	Cash deposits	27,593
3,535	Investment income due	3,992
-	Amounts receivable from sales	1,910
34,726		**33,495**
2,916,032	**Total investment assets**	**3,177,716**
	Investment liabilities	
-	Amounts payable for purchases	(345)
-	**Total investment liabilities**	**(345)**
2,916,032	**Net investment assets**	**3,177,371**

14(c). Investments analysed by fund manager

Market value 31-Mar-18 £000	Market value 31-Mar-18 % of net investment assets		Market value 31-Mar-19 £000	Market value 31-Mar-19 % of net investment assets
Investments managed by ACCESS asset pool:				
-	-	Link Fund Solutions - ACCESS Global Stock Fund	498,776	15.7
Investments managed outside of ACCESS asset pool:				
67,151	2.3	Adams Street Partners	80,458	2.5
-	-	Allianz Global Investors	12,447	0.4
9,575	0.3	AMP Capital	19,209	0.6
65,850	2.3	Cambridge and Counties Bank	81,100	2.6
10,000	0.3	Cambridge Building Society	14,913	0.5
472,147	16.2	Dodge & Cox Worldwide Investments	-	-
32,669	1.1	Equitix Investment Management	33,341	1.0
46,647	1.6	HarbourVest Partners (UK)	58,546	1.8
472,488	16.2	JO Hambro Capital Management	524,841	16.5
59,054	2.0	M&G Investments	60,888	1.9
-	-	M&G Real Estate	9,759	0.3
26,527	0.9	Partners Group (UK)	37,370	1.2
918,053	31.5	Schroders Investment Management	946,737	29.9
693,644	23.8	UBS Global Asset Management	765,050	24.1
16,339	0.6	UBS Infrastructure	16,742	0.5
25,888	0.9	Cash with custodian	17,194	0.5
2,916,032	**100.0**		**3,177,371**	**100.0**

All the above companies are registered in the United Kingdom.

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

Security	Market value 31-Mar-18 £000	% of total fund %	Market value 31-Mar-19 £000	% of total fund %
JO Hambro Capital Management Global Select Fund Sterling Z shares	472,488	15.9	**509,096**	**15.94**
Link Fund Solutions - ACCESS Global Stock	-	-	**498,776**	**15.62**
UBS Global Asset Life North American Equity Tracker	-	-	**180,827**	**5.66**
Schroders International Selection Fund – Strategic Bond	169,848	5.7	**165,656**	**5.19**

14(d). Stock Lending

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2019, the value of quoted equities on loan was £66.2m (31 March 2018: £92.7m). These equities continue to be recognised in the Fund's financial statements. Counterparty risk is managed through holding collateral at the Fund's custodian. At the year end the custodian held collateral at fair value of £71.4m (31 March 2018: £99.3m) representing 108% of stock lent. Collateral consists of acceptable securities and government debt.

15. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the Investment Management Agreement (IMA) 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. There were no outstanding exchange traded future contracts at 31 March 2019 or 31 March 2018.

- **Forward foreign currency**

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. There were no open forward currency contracts at 31 March 2019 or 31 March 2018.

- **Options**

In order to minimise the risk of loss of value through adverse equity price movements, equity option contracts can protect the Fund from falls in value in its main investment markets, principally the UK, USA and Europe. There were no outstanding option contracts at 31 March 2019 or 31 March 2018.

16. FAIR VALUE

16a. Fair value hierarchy

Valuation of Financial Instruments Carried At Fair Value

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

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

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

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital

Valuation Guidelines 2015, 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. There has been no change in the valuation techniques used for individual investments during the year.

The following tables analyses 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 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	458,106	2,163,820	522,295	3,144,221
Total financial assets	**458,106**	**2,163,820**	**522,295**	**3,144,221**

Values at 31 March 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	468,191	2,002,760	413,890	2,772,513
Total financial assets	**468,191**	**2,002,760**	**413,890**	**2,772,513**

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

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

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment Advisors, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Asset Type	Value as at 31-Mar-19 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Property	168,180	14.3%	192,230	144,130
Private Equity	354,115	24.7%	441,490	266,740
Total Assets	**522,295**		**633,720**	**410,870**

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

Period 2018-19	Market value 1-Apr- 2018 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/ (losses) £000	Realised gains/ (losses) £000	Market value 31-Mar-2019 £000
Pooled property investments	139,497	36,990	(13,160)	4,055	798	168,180
Private equity and infrastructure - equity	65,850	20,500	-	(5,250)	-	81,100
Private equity and infrastructure - other	208,543	64,768	(35,645)	17,915	17,434	273,015
Total	**413,890**	**122,258**	**(48,805)**	**16,720**	**18,232**	**522,295**

There were no transfers between levels during the year, and the movements noted above relate to additions or disposals of assets, and gains and losses. Unrealised and realised gains and losses are recognised in the changes in value of investments line of the Fund Account.

17. FINANCIAL INSTRUMENTS

17a. Classification of financial instruments

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

31-Mar-18 Fair value through profit and loss £000	31-Mar-18 Assets at amortised cost £000	31-Mar-18 Liabilities at amortised cost £000		31-Mar-19 Fair value through profit and loss £000	31-Mar-19 Assets at amortised cost £000	31-Mar-19 Liabilities at amortised cost £000
			Financial assets			
74,578	-	-	Bonds	79,206	-	-
371,765	-	-	Equities	377,322	-	-
1,953,899	-	-	Pooled investments	2,086,961	-	-
206,671	-	-	Pooled property investments	236,858	-	-
274,393	-	-	Private equity/ infrastructure	363,874	-	-
-	-		Derivative contracts	-	-	-
	73,422	-	Cash	-	32,300	-
3,535	-	-	Other investment balances	-	5,902	-
-	16,597	-	Debtors	-	13,993	-
2,884,841	**90,019**	**-**		**3,144,221**	**52,195**	**-**
			Financial liabilities			
-	-	-	Derivative contracts	-	-	-
-	-	-	Other investment balances	-	-	(345)
-	-	(5,554)	Creditors	-	-	(3,477)
-	**-**	**(5,554)**		**-**	**-**	**(3,822)**
2,884,841	**90,019**	**(5,554)**	**Total**	**3,144,221**	**52,195**	**(3,822)**
		2,969,306				**3,192,594**

17b. Net Gains and Losses on Financial Instruments

2017-18 £000		2018-19 £000
	Financial assets:	
72,375	Fair value through profit and loss	**182,038**
-	Amortised cost – realised gains on de-recognition of assets	**723**
-	Amortised cost – unrealised gains	**-**
	Financial liabilities:	
(18)	Fair Value through profit and loss	**9**
(1,359)	Amortised cost – realised losses on de-recognition of assets	**(25)**
-	Amortised cost – unrealised losses	**-**
70,998	**Total gains**	**182,745**

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.

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 Advisors, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2018-19 reporting period. 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 Advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	16.6%
Overseas equities	16.9%
Global pooled equities	16.9%
Index-linked bonds	9.2%
Pooled fixed interest bonds	10.5%
Property	14.3%
Alternatives	24.7%
Cash and Other investment balances	0.5%

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:

31 March 2019 Asset Type	Value as at 31-Mar-19 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**428,009**	16.6	499,059	356,960
Overseas equities	**19,655**	16.9	22,976	16,333
Global pooled equities	**1,718,325**	16.6	2,008,721	1,427,928
Index-linked bonds	**79,206**	9.2	86,493	71,919
Pooled fixed interest bonds	**296,716**	10.5	327,871	265,561
Property	**236,858**	14.3	270,728	202,978
Alternatives	**363,874**	24.7	453,657	274,092
Cash and Other investment balances	**34,728**	0.5	34,902	34,555
Total Assets	**3,177,371**		**3,704,407**	**2,650,326**

31 March 2018 Asset Type	Value as at 31-Mar-18 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**615,088**	16.8	718,423	511,753
Overseas equities	**14,630**	17.9	17,249	12,011
Global pooled equities	**1,385,253**	17.9	1,633,213	1,137,293
Index-linked bonds	**74,578**	9.2	81,439	67,717
Pooled fixed interest bonds	**297,306**	10.2	327,631	266,981
Property	**201,744**	14.3	230,593	172,895
Alternatives	**274,393**	25.5	344,363	204,423
Cash and Other investment balances	**53,040**	0.5	53,305	52,775
Total Assets	**2,916,032**		**3,406,216**	**2,425,848**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31-Mar-18 £000	Asset Type	31-Mar-19 £000
31,191	Cash and cash equivalents	**27,593**
42,231	Cash balances	**4,707**
74,578	Index-linked securities	**79,206**
297,306	Fixed interest securities	**296,716**
445,306	**Total**	**408,222**

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:

Exposure to interest rate risk	Asset values at 31-Mar-19 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	**27,593**	27,593	27,593
Cash balances	**4,707**	4,707	4,707
Index-linked securities	**79,206**	78,414	79,998
Fixed interest securities	**296,716**	293,749	300,279
Total change in assets available	**408,222**	**404,463**	**411,981**

Exposure to interest rate risk	Asset values at 31-Mar-18 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	**31,191**	31,191	31,191
Cash balances	**42,231**	42,231	42,231
Index-linked securities	**74,578**	73,832	75,324
Fixed interest securities	**297,306**	294,333	300,279
Total change in assets available	**445,306**	**441,587**	**449,025**

Exposure to interest rate risk	Interest receivable 2018-19 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	**360**	364	356
Index-linked securities	**424**	428	420
Fixed interest securities	**3,598**	3,634	3,562
Total	**4,382**	**4,426**	**4,338**

Exposure to interest rate risk	Interest receivable 2017-18 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	**441**	445	437
Index-linked securities	**421**	425	417
Fixed interest securities	**4,044**	4,044	4,044
Total	**4,906**	**4,914**	**4,898**

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

Currency risk

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

The Fund's currency rate risk is routinely monitored by the Council and its investment 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 Advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 10.0% (the 1 year expected standard deviation).

A 10.0% (31 March 2018: 10.0%) fluctuation in the currency is considered reasonable based on the Fund Advisor'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 10.0% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-19 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	1,737,979	173,798	1,911,777	1,564,181
Overseas Fixed Income	226,543	22,654	249,197	203,889
Overseas Cash Fund	1,578	158	1,736	1,420
Total	**1,966,100**	**196,610**	**2,162,710**	**1,769,490**

Assets exposed to currency risk	Value at 31-Mar-18 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	1,394,955	139,496	1,534,451	1,255,460
Overseas Fixed Income	228,902	22,890	251,792	206,012
Overseas Cash Fund	18,314	1,831	20,145	16,483
Total	**1,642,171**	**164,217**	**1,806,388**	**1,477,955**

b) Credit risk

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

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

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2019 was £38.7m (31 March 2018: £73.4m). This was held with the following institutions:

	Rating	31-Mar-18 £000	31-Mar-19 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	31,034	27,427
Bank deposit account			
Barclays Bank	A	42,231	4,707
Bank current accounts			
Northern Trust custody accounts	P-1	157	166
Total		**73,422**	**32,300**

c) Liquidity risk

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

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2019 the value of illiquid assets was £600.7m, which represented 18.8% of the total Fund assets (31 March 2018: £481.1m, which represented 16.2% 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 2019 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 2016. The next valuation will take place as at 31 March 2019 and will be published in 2020.

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; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

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

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

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates. For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

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

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

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the Fund's website. At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

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

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

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

*Plus an allowance for promotional pay increases.

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

	Active and Deferred Members		Current Pensioners	
Assumed life expectancy at age 65	**Male**	**Female**	**Male**	**Female**
2013 valuation	24.4	26.9	22.5	24.5
2016 valuation	24.0	26.3	22.4	24.4

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.

e) **50:50 option -** 5.0% of members (uniformly distributed across the age, service and salary range) are assumed to choose the 50:50 option under which they pay 50% lower contributions and receive proportionately lower retirement benefits.

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

31-Mar-18 £m		31-Mar-19 £m
(4,267)	Present value of promised retirement benefits	(4,829)
2,958	Fair value of scheme assets (bid value)	3,187
(1,309)	**Net liability**	**(1,642)**

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

Note that the above figures include allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Assumptions used

	31-Mar-18 % p.a.	31-Mar-19 % p.a.
Inflation/pension increase rate assumption	2.4	2.5
Salary increase rate	2.7	2.8
Discount rate	2.7	2.4

21. CURRENT ASSETS

31-Mar-18 £000		31-Mar-19 £000
	Debtors:	
1,544	Contributions due – members	**1,847**
3,671	Contributions due – employers	**5,900**
10,117	Sundry receivables	**5,614**
15,332		**13,361**
42,232	**Cash balances**	**4,707**
57,564		**18,068**

22. NON CURRENT ASSETS

At 31 March 2019, a total of £1,264,000 was still due from the Ministry of Justice, with £632,000 being shown in Current Assets and £632,000 being due after 31 March 2020 shown in Non Current Assets.

23. CURRENT LIABILITIES

31-Mar-18 £000		31-Mar-19 £000
5,113	Sundry payables	3,088
441	Benefits payable	389
5,554		3,477

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-18 £000		Market value 31-Mar-19 £000
403	Equitable Life	363
7,741	Prudential	7,683
8,144		8,046

No contributions (2017-18: no contributions) were paid to Equitable Life during the year and total contributions of £737k (2017-18: £799k) were paid directly to Prudential during the year.

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.

2017-18 £000		2018-19 £000
3,605	Unfunded pensions	3,625
3,605		3,625

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 (2017-18: £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 £21.0m, excluding Local Education Authority schools, to the Fund in 2018-19 (2017-18: £22.1m). At 31 March 2019 there was £0.2m (31 March 2018: £2.0m) due to the Fund by the Council.

Governance

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

- Councillor Anne Hay
- Councillor Michael Shellens
- Liz Brennan
- Matthew Pink
- Tracy Roden
- John Walker
- Lee Phanco

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

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. The Council's Section 151 Officer was a Non-executive Director on the Board of CCB, and was replaced by an Officer of the Pension Fund during the year, for which CCB paid £49,688 during the year (2017-18 £40,000) to the Council.

26(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by LGSS Pensions which is a shared service arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Head of Pensions in the shared service unit reported directly to the LGSS Director of Finance, followed by the Interim Managing Director of LGSS, whose costs are reported in the Northamptonshire County Council statement of accounts. Other key personnel include the Section 151 Officer, who is Treasurer to the Fund, and the Head of HR. The Interim Managing Director of LGSS, the Section 151 Officer and the Head of HR are remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from LGSS the proportion of costs relating to these services to the Fund.

27. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2019 totalled £315.0m (31 March 2018: £210.7m).

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

28. CONTINGENT ASSETS

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

GLOSSARY

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

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.

ACS ACCESS Authorised Contractual Scheme.

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.

AUM Assets Under Management.

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.

CASH EQUIVALENTS Assets which are readily convertible into cash.

CIPFA Chartered Institute of Public Finance and Accountancy

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.

COUPON The regular payment made on bonds.

CTI Cost Transparency Initiative.

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.

CUSTODIAN An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

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.

DERIVATIVE A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. 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.

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

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.

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

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.

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

FTSE All Share Index Summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

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

GMP Guaranteed Minimum Pension.

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.

IDRP Internal Dispute Resolution Procedures

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 price of a bond which is quoted without accrued interest.

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

ISC Investments Sub-Committee.

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.

LPB Local Pension Board.

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.

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.

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.

PFC Pension Fund Committee.

PLSA Pensions and Lifetime Savings Association.

PORTFOLIO A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

RAG Red, Amber and Green.

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

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.

SAB Scheme Advisory Board.

SCHEDULED BODIES Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

STOCK Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

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

TRANSFER VALUES Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

TREASURY MANAGEMENT A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

TRUST Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

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 Investment 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.

ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2018-19 financial year and its position at the year-end of 31 March 2019. 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 2018-19*, 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 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.

THE DE MINIMIS THRESHOLD

The de minimis threshold level has been set at £4,000 (this threshold has been used as a guideline across the Council, where it is sensible to refer to a de minimis in making accrual adjustments).

ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

Recognition

New acquisitions are brought into the accounts at cost within the appropriate Property, Plant and Equipment balance and are then revalued during the following year. Expenditure on construction of new assets is also brought into the accounts at cost and included either within the

Infrastructure category or Assets Under Construction. For capital schemes held within Assets Under Construction, once all the assets which are created or enhanced by a capital scheme become operational, the value is transferred to the appropriate category of Property, Plant and Equipment. Assets costing less than £10,000, or revalued to less than £10,000 and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement.

The assets of local authority maintained schools are recognised in the Council's financial statements, subject to the usual accounting requirements for long-term assets. Therefore, if there are any specific arrangements in place whereby the control of the asset does not lie with the Council, 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 117-118). Long-term assets of foundation schools governed by a separate trust with no local authority control present are not consolidated, along with the long-term assets of most voluntary aided and voluntary controlled schools. This is due to the legislation contained within the School Standards and Framework Act 1998, as amended, that stipulates all non-playing field land shall be transferred by the local authority to the relevant diocese or trust. Only where there are specific lease, or other arrangements in place, does the Council hold the assets of these schools on the Council's Balance Sheet.

Infrastructure Asset Additions and De-recognitions

Capital expenditure incurred on the enhancement of existing infrastructure assets will be added to the value of the asset included within the asset register. The Code stipulates that if a new component of an asset is recognised, then the carrying amount of a replaced or restored part of the asset should be derecognised. Consequently, a de-recognition of the existing asset will occur, writing out the value attributable to the asset that has been enhanced/replaced (including any associated depreciation). As such, the value derecognised will be determined by the cost of the replacement asset.

Measurement

The Council carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at current value is reviewed at least every five years. In order to ensure that values are kept in line with current values, in the interim the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. This analysis involves a) a desktop valuation of assets over a certain value, b) a market review undertaken by the Council's external valuers, and if necessary, c) an indexation analysis that includes an assessment of when a depreciated replacement cost asset was last revalued and application of an index to it based on Building Cost Information Service (BCIS) forecasts and land value estimations for every year since the asset was last revalued. The threshold value used to determine which assets are subject to a desktop valuation is reviewed each year – the aim is to set this threshold at such a level that it reduces any variances in value below a material level in order that a further indexation analysis is not required.

Assets contained within Property, Plant and Equipment required to be measured at fair value are revalued every year. The effective date of revaluation for the rolling programme and all Surplus Assets is 30 November during the year in question, however as part of the material misstatement exercise, some assets are revalued again as at 31 March of the year in question and are potentially adjusted for indexation to 31 March.

Infrastructure has been included in the Balance Sheet at depreciated historical cost, whilst Community Assets, and Assets Under Construction have been included 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 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 in line with how Infrastructure Assets are recorded in the Asset Register. 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. Operational Property, Plant and Equipment is valued using Existing Use Value whereas specialised assets are valued using Depreciated Replacement Cost. 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, which is a type of Existing Use Valuation. 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.

Capitalisation of Borrowing Costs

Borrowing costs that are:

- Directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset;
- When it is probable that they will result in future economic benefits or service potential to the Council; and
- The costs can be measured reliably;

shall be capitalised and form part of the cost of that non-current asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready (over a year) for its intended use or sale.

Where the Council borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Council shall apply a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs that are outstanding during the period.

The amount of borrowing costs capitalised shall not exceed the amount of borrowing costs incurred during the period.

The commencement of capitalisation begins when all of the following conditions are met:

- Expenditure in respect of the asset is incurred;
- Finance costs in respect of the asset are incurred; and
- Activities that are necessary to develop an asset are in progress.
- Borrowing funding for a project is expected to total over £500k before the asset is operational

Capitalisation ceases when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalisation will be suspended during periods in which active development is interrupted.

Depreciation

Land is held at current value and not depreciated. Property, Plant and Equipment assets other than land, are depreciated over their useful economic lives using the straight-line method. An exception is made regarding depreciation for assets without a determinable finite useful life (i.e. Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is applied using the following month convention (except for Infrastructure), where depreciation is not charged in the month of acquisition but a full month's depreciation is charged in the month of disposal.

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

- Buildings (including Surplus Assets) – 5 to 60 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 Council measures some of its non-financial assets such as Surplus Assets and Investment Properties 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 Council 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 Council 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 Council 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 Council'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 Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

CAPITAL ACCOUNTING

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

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

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

The above accounts are not available to fund future expenditure.

CAPITAL RECEIPTS

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

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

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

CHARGES TO REVENUE FOR LONG-TERM ASSETS

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

- Depreciation attributable to the assets used by the relevant service (as per the Depreciation policy on page 193);
- 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 207). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

HERITAGE ASSETS

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

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

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

- Archives collections – recognised in the Balance Sheet at insurance valuation where available;
- Museum collections – recognised in the Balance Sheet at insurance valuation;
- Art works – recognised in the Balance Sheet at insurance valuation;
- 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 (e.g. Public Works Loan Board borrowing). Financial liabilities are initially measured at fair value and subsequently carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However where repurchase has taken place, as part of a restructuring of the loan portfolio that involves the modification or exchange of existing financial instruments, the premium or discount is respectively deducted from, or added to, the amortised cost of the new or modified loan. The write-down to the 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to 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 financial assets held by the Council, 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.

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.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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 and 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 AND NON-DOMESTIC RATES

In England, billing authorities act as agents on behalf of major preceptors in collecting council tax and non-domestic rates (NDR). 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 and NDR collected could be less or more than predicted;
- the effect of any bad debts written off;
- the movement in the impairment provision.

The Council, as a major preceptor, is therefore required to include the appropriate share of the Council Tax and NDR 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;
- 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 34)

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 on page 207). 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.

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.

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.

BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

TERMINATION BENEFITS

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

POST EMPLOYMENT BENEFITS

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

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

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

The Teachers' Pension Scheme

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

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

The Local Government Pension Scheme (LGPS)

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

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions 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.
- 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 – closing bid price
  - property – market value;
- The change in the net pension liability is analysed into service cost and re-measurement 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.

Re-measurements comprise:

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

- **Contributions paid to the pension fund**: cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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 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 include the General Fund balance and Earmarked reserves;

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

DEBT REDEMPTION

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

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

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

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

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.
The policy will be reviewed annually to ensure prudence is achieved from using the options available and the option to delay charges until the year after the asset comes into operation (the MRP holiday) will be used where applicable.

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

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.

INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has involvement with a number of entities, and where the interests are not material the nature and value of the relationship is disclosed within the single entity accounts. In line with the code requirements on group accounts and consolidation, maintained schools within the county are considered to be entities controlled by the Council. The income, expenditure, assets, liabilities, reserves and cash flows of these schools are recognised within the Council's single entity accounts rather than group accounts.

Glossary of Terms

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

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

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

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

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

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

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

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

AUTHORISED UNIT TRUSTS

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

AVAILABLE FOR SALE FINANCIAL ASSETS

Assets that have a quoted market price and/or do not have fixed or determinable payments.

BALANCE SHEET

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

BALANCES

The accumulated surplus of income over expenditure on the General Fund (see later).

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.

Cambridgeshire County Council

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

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

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

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

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

CARRY FORWARDS
Directorates, Schools and Trading Units are permitted/ required to transfer any underspending or overspending into the next financial year.

CASH EQUIVALENTS
Assets which are readily convertible into cash.

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

COMMUNITY ADMISSION BODIES
Employers who may be admitted to the scheme if they meet the requirements of Regulation 5 and regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that provide a public service, e.g. charitable bodies, otherwise than for the purpose of gain and which have sufficient links to a local authority or other scheme employer to be regarded as having a community of interest.

COMMUTATION
Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES
Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CONTRACT NOTE
The documentary record of a trade which is sent from the broker to the investor

CONVERTIBLE
Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

CORPORATE AND DEMOCRATIC CORE
Income and expenditure relating to the corporate management and democratic processes of the Council.

COUPON
The regular payment made on bonds.

CREDITS (PFI)
A measure of private sector investment that will be supported by central government grant and acts as a promise that PFI grant can be claimed once a PFI project is operational.

CURRENT ASSETS
Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES
Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

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 Chief Finance Officer, which have a significant impact on the Council’s finances.

FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

FINANCIAL 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.

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.

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

INVENTORIES
Goods bought but have not been used.

LGSS
A partnership between Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council to create a wholly owned public sector organisation to deliver professional and transactional support services.

LOAN STOCK
Unsecured bonds, which may be convertible if they have a warrant attached.

LONG-TERM ASSETS
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

MARKET CAPITALISATION
For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

MEDIUMS
Medium-dated Gilts with time to maturity of 5-15 years.

MINIMUM REVENUE PROVISION
The minimum amount which must be charged to revenue in the year for the repayment of debt.

NET BOOK VALUE
The depreciated value of an asset.

NOMINEE
A firm which acts on behalf of the underlying beneficial owner of the securities and in whose name the securities are registered.

NON-DISTRIBUTED COSTS

Costs that cannot be specifically applied to a service and are held centrally.

OFFER PRICE
The price at which market makers will sell stock.

ORDINARY SHARES
'A' Shares which confer full voting and dividend rights to the Owner.

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

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

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

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

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

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

PROVISION

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

PRUDENTIAL BORROWING

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

PUBLIC WORKS LOAN BOARD

A government body set up specifically to lend money to local authorities.

RECEIVABLES

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

RELATED PARTY

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

RESERVES

Amounts set aside for particular purposes but which do not conform to the definition for provisions. Movements in reserves are not part of service expenditure.

REVALUATION RESERVE

A reserve for amounts arising from the appreciated value of property; the difference between the former book value of property on the Balance Sheet and the present (revalued) book value of the property. The Revaluation Reserve will record the sum of the net gains (if any) on a property-by-property basis from revaluations made after 1 April 2007.

REVENUE CONTRIBUTIONS

The shortened form of Revenue Contributions to Capital Outlay (often abbreviated as RCCO). It refers to the financing of capital spending directly from revenue, rather than loan or other sources.

REVENUE EXPENDITURE

The day-to-day spending of the Council on such items as employees, office running costs, and the purchase of services

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset.

REVENUE SUPPORT GRANT (RSG)
The general grant paid by Central Government to aid Local Authority spending generally.

RIGHTS ISSUE
A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

SCHEDULED BODIES
Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

STOCK
Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

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

TRANSFER VALUES
Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

TRANSFEREE ADMISSION BODIES

Employers who may be admitted to the scheme if they meet the requirements of Regulation 6 and Regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that are formed when a service or function offered by a local authority or other scheduled body is contracted out to the private sector.

TREASURY MANAGEMENT
A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

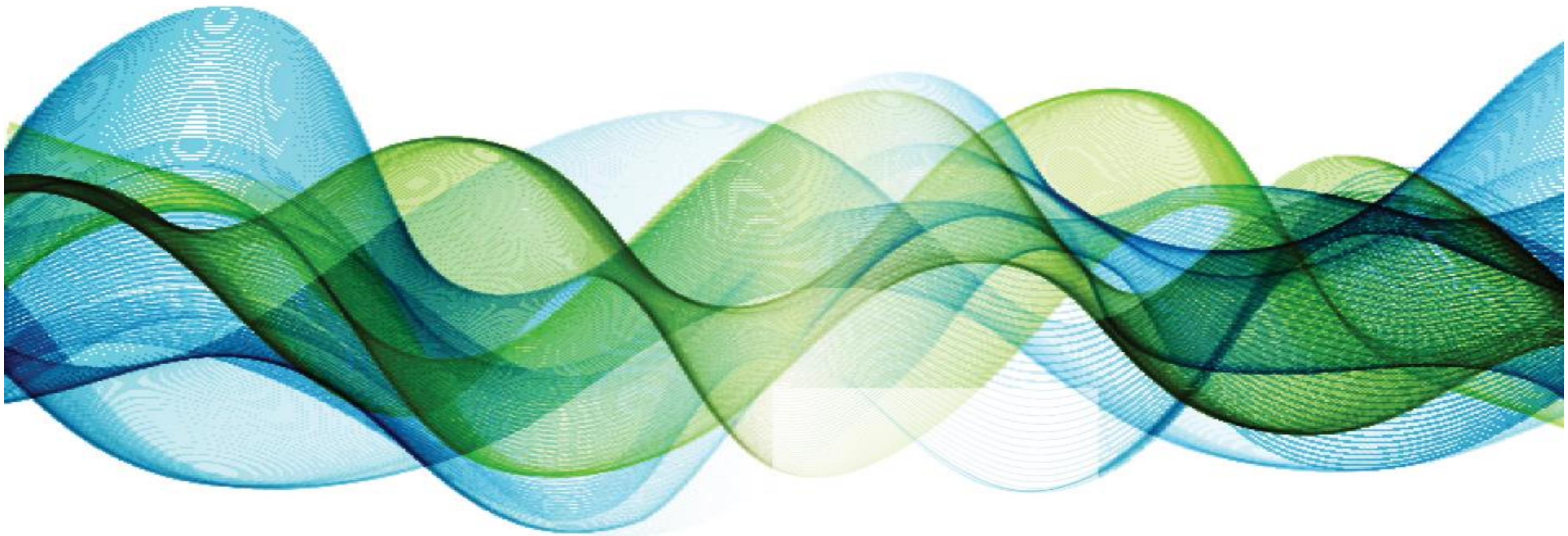
TRUST
Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

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.

Cambridgeshire County Council Annual Governance Statement



Date issued
29 July 2019

SCOPE OF RESPONSIBILITY

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

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

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (Solace) Framework Delivering Good Governance in Local Government.

This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which require all relevant bodies to prepare an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2019 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:

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities. These set out and communicate the Council's vision of its purpose and intended outcomes for citizens and service users;
- An established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;
- The measurement of performance in achieving objectives through the mechanisms of the Council's performance management system;
- Embedded Codes of Conduct which define the standards of behaviour for members and employees;
- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication. The Constitution setting out Schemes of Delegation to members and officers; Financial Procedure Rules; and other supporting procedures for how decisions are taken and the processes and controls required to manage risk. Having arrangements in place to ensure these are reviewed regularly;
- An Audit and Accounts Committee which is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
- Statutory officers to support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
- Embedded arrangements for whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;

- A Consultation Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them;

- A committee-based system of governance, which provides the Council with the high standards of Governance expected of a local authority. Under the committee system of governance, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control.

The review of effectiveness is informed by:

- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment.

- The Chief Internal Auditor’s and Risk Management’s annual reports.

- Comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with all members, the Audit and Accounts Committee and the Senior Management Team, as appropriate.

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority’s financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Chief Internal Auditor in Public Service Organisations.

- An annual review of the Council's Code of Corporate Governance undertaken by Internal Audit.
- The annual report and opinion on the internal control environment prepared by the Chief Internal Auditor. This report draws upon the outcome of audit reviews undertaken throughout 2018/19 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:

(1) Council Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as set out in the Business Plan.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning which has the full involvement of executive councillors and all senior managers of the Council. This ensures financial plans realistically support the delivery of the Council's priority outcomes and strategy obligations in the short and medium terms.

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

(2) Performance Management

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

(3) Executive Decision Making and Scrutiny

Executive decisions are made by one of the Council's seven cross-party policy and service committees. A process is in place to allow for executive decisions to be reviewed following request by at least 8 members of the General Purposes Committee, which must be made within 3 days of a decision being published.

(4) 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 2018/19, considering reports, including the annual Internal Audit Report, from the Chief Internal Auditor, the Council's Senior Finance Officers and the External Auditor. Additionally, the Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year.

(5) Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, Director of Public Health and the Executive Director of People and Communities were effectively fulfilled during 2018-19 and up to the date of this report.

(6) Management

The Council's Executive and Corporate Directors have provided assurance through Self-Assurance Statements that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks;
- Service Directors and/or relevant senior staff have provided assurance on the key elements of risk and control in their areas of responsibility;

- Throughout the financial year they consider that risks and internal controls have been sufficiently addressed to provide reasonable assurance of effective financial and operational control, compliance with the Code of Corporate Governance and other laws and regulations.

No exceptions to the above were identified by Directors in their assurance statements.

(7) Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Chief Internal Auditor to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Chief Internal Auditor provided his annual report to the Audit Committee on 11th June 2019. The report outlined the key findings of the audit work undertaken during 2018/19, including areas of significant weakness in the internal control environment.

An assurance scoring mechanism, based on three opinions, is used to reflect the effectiveness of the Council's internal control environment. The opinions are:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the audit reviews undertaken during 2018/19, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

It is the opinion of the Chief Internal Auditor that:

"On the basis of the audit work undertaken during the 2018/19 financial year, an opinion of ***satisfactory*** *assurance is awarded. The internal control environment (including the key financial systems, risk and governance) has been subject to significant changes during the year with the introduction of ERP Gold and there have been areas and periods where compliance with these new procedures and systems has required improvement. Although there are currently no outstanding significant issues arising from the work undertaken by Internal Audit, there are important recommendations contained in the key financial systems audits that will be followed up in 2019/20.*

It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

Although the level of assurance has decreased from 2017/18 there has been significant change to key systems within the year and management has responded positively to recommendations made by Internal Audit to strengthen identified areas of concern."

The detail to support this assessment was provided in the Annual Internal Audit Report which was presented to the Audit and Accounts Committee on 11th June 2018.

(8) Review of Internal Audit

The Public Sector Internal Audit Standards were introduced from April 2013. The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards throughout the year. The Cambridgeshire office of LGSS Internal Audit underwent an external review of compliance with Public Sector Internal Audit Standards in December 2016/17, and a number of recommendations were agreed to further improve the work of the service, including the introduction of a new Terms of Reference format, and the inclusion of some specific areas within the Annual Report. A follow-up visit in May 2017 confirmed the implementation of these actions and confirmed compliance with the latest set of standards issued in April 2017. The most recent self- assessment undertaken during March 2019 confirmed continued compliance.

(9) External Audit

On 14 December 2017, the PSAA board approved the appointment of Ernst & Young LLP to audit the accounts of Cambridgeshire County Council for a period of five years, covering the financial years from 1 April 2018 to 31 March 2023.

(10) Risk Management

The Council managed its risks during 2018/19 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 2019/20 presented to the Audit and Accounts Committee in March 2019 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 2019/20.

A full review of the Council's corporate risk register and risk management took place in 2017/18, alongside the review of corporate KPIs, aligning risk reporting more closely to the Council's financial reporting processes. In addition, a 'Risk Management Health Check' was conducted by the Council's insurer's Zurich. The final report was received in April 2018, and this has informed further improvements in risk management processes during 2018/19.

SIGNIFICANT GOVERNANCE ISSUES

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

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements. However, there are no such actions requiring specific mention in the 2018/19 Annual Governance Statement.

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and a significant reduction in Central Government funding. The Council's 5 year Business Plan is reflective of these pressures, and is subject to annual review, to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

It is recognised that in order to address this increased financial pressure on the organisation, the Council needs to transform and develop more effective working across all services. To achieve this, Cambridgeshire County Council has developed a Transformation Fund, for which the General Purposes Committee has stewardship. This enables the authority to fund the costs of transforming services through the ongoing Transformation Programme.

In order to address financial pressures across the public sector, partnership working between the County Council and other public sector organisations is increasingly important. On 16th March 2017, the Secretary of State for Communities and Local Government announced the Cambridgeshire and Peterborough Combined Authority devolution deal. The integrity of Cambridgeshire County Council is protected under this deal and the Council will continue to deliver the vast majority of services for residents as it does currently, with the Leader of the Council acting as a member of the Combined Authority.

In future years, there is the potential that devolution in the region could evolve further and this may impact further upon the authority's governance arrangements. Cambridgeshire County Council already works closely with other public sector bodies in the region, and shares a Chief Executive, several Directors and a number of teams with Peterborough City Council. Governance arrangements for sharing staff and services across partners continue to evolve into 2019/20, and the Council is planning to bring forward further integrated and shared service opportunities with Peterborough, in order to drive down costs, increase resilience and improve outcomes for residents.

During 2018/19 the scale of risk that climate change and environmental degradation presents to council services and Cambridgeshire's communities has also become more apparent. The Council is therefore preparing an Environment and Climate Change Strategy in order to provide more detail about the risks and what actions need to be taken by the council in order to mitigate and adapt to these changes. The outcomes of this work may need to be reflected in the 2019/20 Governance Statement.

During 2018-19 the Audit & Accounts Committee received, and considered, a comprehensive report into the arrangements for Community Transport following an external and independent investigation. The allegations that prompted the investigation were focussed on FACT, HACT and ESACT community transport providers (FH&E) but also reviewed the Council's procurement and grant funding arrangements in this area.

The report was considered at a full day's A&A meeting held in open public session. The investigation found issues in respect of FH&E and also the Council's processes. The A&A Committee, having accepted the report and its recommendations, monitored their implementation. At the year end the majority had been fully implemented including all improvements to Council processes.

Therefore whilst this issue highlighted governance weaknesses in this service area, these were addressed fully during the year. No action is reported within the AGS as this remains business as usual for A&A through 19-20.

The 19/20 AGS Action Plan is still being discussed and work is still ongoing in key areas.

CONCLUSION

Based on the work that has been completed, assurance can be taken that the governance arrangements at Cambridgeshire County Council are fit for purpose.

Cambridgeshire County Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements. Implementation of these actions will be monitored through the next annual review.

CHAIRMAN OF GENERAL PURPOSES COMMITTEE AND CHIEF EXECUTIVE STATEMENT

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

Councillor Steve Count
Chairman of the General Purposes Committee

Gillian Beasley
Chief Executive

Councillor Michael Shellens
Chairman of the Audit and Accounts Committee

July 2019

Agenda Item No: 4

EXTERNAL AUDITOR'S ISA260 REPORT (AUDIT RESULTS)

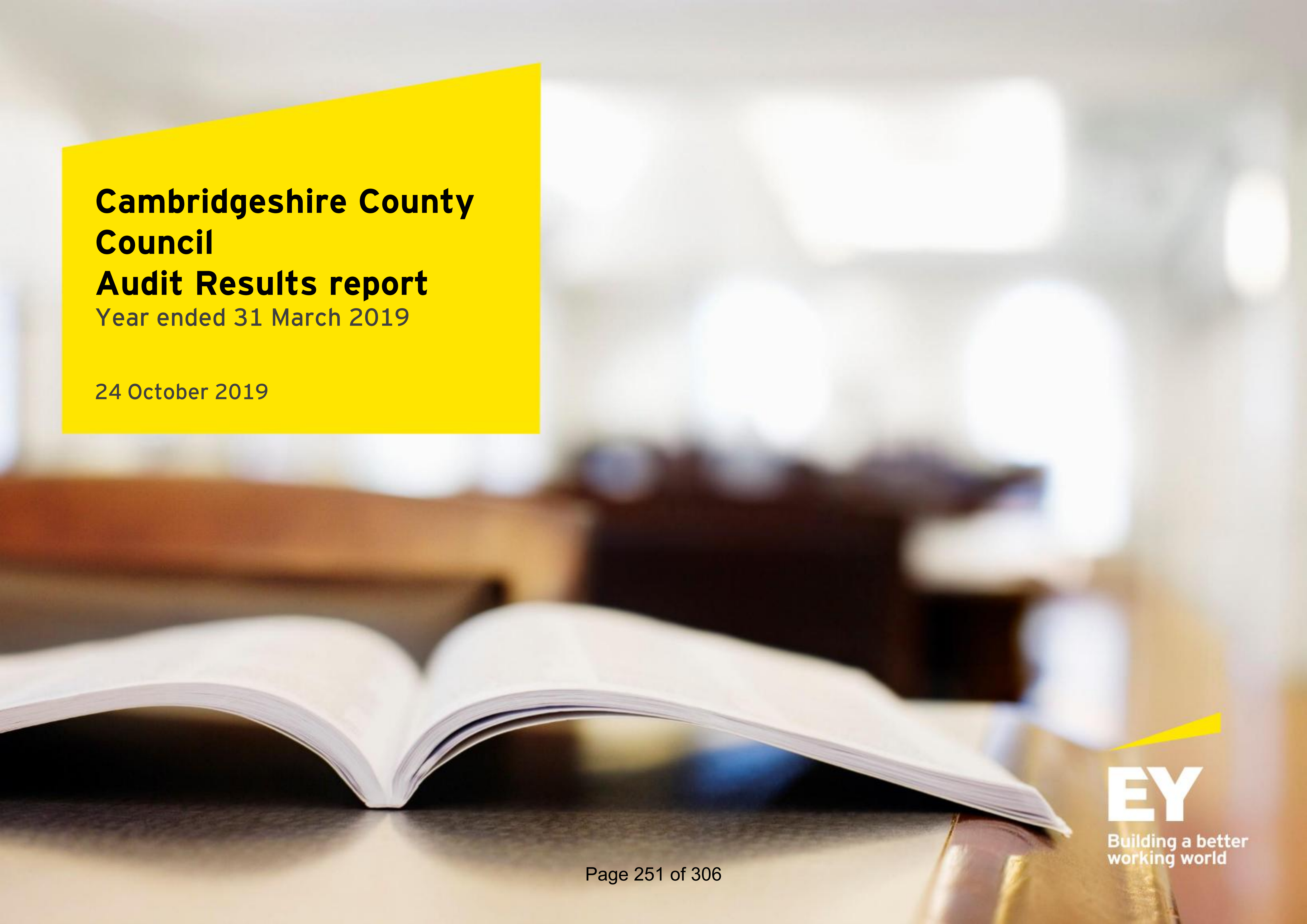
To:	**Audit & Accounts Committee**
Meeting Date:	**31 October 2019**
From:	**External Auditor**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**Communication of audit matters arising from the County Council's Statement of Accounts for the year ending 31/3/19, to those charged with governance.**
Recommendation:	**The Committee is invited to receive the External Auditor's report.**

	contact:
Name:	Mark Hodgson
Post:	Associate Partner – Ernst & Young LLP
Email:	mhodgson@uk.ey.com

Reason for urgency: The Council has not met the statutory timescales for external audit of its financial statements, and therefore is aiming to complete this as soon as possible. The audit has progressed and the auditor has supplied the attached report.

Reason for lateness: Reasons for delays are set out in the previous report at this meeting. The late dispatch of this item has enabled the audit to progress further, and quality control checks to take place at the auditor.

T Kelly, Head of Finance



Cambridgeshire County Council
Audit Results report

Year ended 31 March 2019

24 October 2019

Audit and Accounts Committee
Cambridgeshire County Council

24 October 2019

Dear Committee Members

We are pleased to attach our Audit Results report for the forthcoming meeting of the Audit and Accounts Committee. This report summarises our audit conclusion in relation to the audit of Cambridgeshire County Council (the 'Council') for 2018/19. We will update the Audit and Accounts Committee at its meeting scheduled for 31 October 2019.

We have substantially completed our audit of Cambridgeshire County Council for the year ended 31 March 2019. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

As previously discussed, and set out in our Audit Plan, we are yet to commence our work on your arrangements to secure economy, efficiency and effectiveness in your use of resources, as the 2017/18 VFM Conclusion remains outstanding.

This report is intended solely for the use of the Audit and Accounts Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Accounts Committee meeting on 31 October 2019.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Audit Plan presented at the 28 March 2019 Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception concerning a change in materiality :

Changes in materiality:

In our Audit Planning Report, we communicated that our audit procedures would be performed at the following levels:

	Cambridgeshire County Council Group £million	Council as a Single Entity £million	Basis
Overall Materiality	17.6	17.5	1.8% of Gross Expenditure
Performance materiality	8.8	8.7	50% of overall materiality
Reporting threshold	0.88	0.87	5% of overall materiality

We updated our planning materiality assessment using the draft accounts and have reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our materiality figures as follows:

	Cambridgeshire County Council Group £million	Council as a Single Entity £million	Basis
Overall Materiality	16.2	16.1	1.8% of Gross Expenditure
Performance materiality	8.1	8.1	50% of overall materiality
Reporting threshold	0.81	0.81	5% of overall materiality

Executive Summary

Status of the audit

We have substantially completed our audit of Cambridgeshire County Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the outstanding matters set out below we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3.

However until work is complete, further amendments may arise. The work that is outstanding as at the date of this report is in relation to:

- 'Other' expenditure testing;
- Group accounts;
- Testing of the Prior Period Adjustment proposed by Management;
- Minimum Revenue Provision testing;
- Testing of Unrecorded Liabilities;
- Testing of Senior officers remunerations note;
- Review of the final version of the financial statements;
- Completion of subsequent events review; and
- Receipt of the signed management representation letter and financial statements

We will update the Audit and Accounts Committee on progress of these items at the meeting on the 31 October 2019.

We will not be able to issue the audit certificate at the same time as the audit opinion, as we will have to complete key elements of the Code of Audit programme – namely:

- the Whole of Government Accounts submission; and
- Value for Money Conclusion.

Executive Summary

Financial Statements Closedown Process

The Council did not meet the 31 May 2019 date for the publication of the draft financial statements required by the Account & Audit Regulations 2015.

The draft financial statements were published on the 10 June 2019. As a result the Council had to issue a revised inspection period notice which allowed members of the public the full quantum of inspection days, albeit not in the key period required by the Regulations.

The draft financial statements provided for audit were not of a good standard. We have identified in excess of 100 errors and disclosure amendments on our initial review and have identified and agreed a significant number of audit adjustments to key financial statements, as set out on the next page.

During our audit, we have raised a significant level of audit queries, as is normal for an audit and especially a first year audit. Whilst we have received full co-operation from key finance staff, for which we are grateful, there has been an overly optimistic timeline for the provision of responses to audit queries, which has added delay and additional resource requirements into our audit process.

The level of identified audit adjustments has required a considerable level of effort to revise the financial statements, and we have encountered some issues with version control and how/why a number of adjustments have been processed.

We would recommend that the closedown process should be reviewed so that appropriate quality assurance processes can be applied to the draft financial statements. In addition, a full review of supporting working papers to support the draft financial statements is required to enable the audit to proceed at the required pace.

We believe that there needs to be clarification on who holds ultimate responsibility for version control of the revised financial statements and therefore understands and agrees the full list of audit adjustments required before they are processed in a timely and agreed manner.

However, as a first year audit, we accept that there will be some learning on both sides, and we will work with management to agree a way forward for the 2019/20 audit.

Executive Summary

Adjusted Audit differences

We have identified audit differences with an aggregated impact above our reporting level of £16.2 million. We have discussed and agreed these adjustments with management who will amend the Draft Financial Statements. Full details of these adjustments can be found in Section 4 Audit Differences. In summary the key adjusted audit differences are:

- Property, Plant and Equipment: We identified adjustments in the current and prior years in regards to the posting of valuation movements between the Comprehensive Income and Expenditure Statement and the Revaluation Reserve. The impact in the 2018/19 is an overstatement in £6.348 million in the Comprehensive income and expenditure statement. The full impact on the prior year 2017/18 financial figures is yet to be determined – as this area remains to be completed.
- Property, Plant and Equipment: We identified that one school asset building with a value of £1.875 million was incorrectly included as an 'Operational' asset when it had been disposed of before 31 March 2019. The replacement school building, with a value of £8.822 million was incorrectly classified as an 'Asset Under Construction' when it became operational before the 31 March 2019.
- Property, Plant and Equipment: Land and buildings were understated by £15.553 million, as the carrying value for a number of assets, which were not subject to a formal valuation exercise within the year, were not reviewed to assess the validity of the carrying value at the Balance Sheet date. Indexation has now been applied to these assets.
- Revenue Grant Income: The Basic Needs Grant received by the Council during the financial year was understated by £27.531 million within Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement. This was an omission from the draft financial statements.
- Grant income credited to Net Cost of Services in the Comprehensive Income and Expenditure statement had been overstated by £26.272 million.
- Capital Grant Income: £1.442 million of Capital Grant Income had been incorrectly classified as Capital Grants Received in Advance which should have been classified as Grant income within the Comprehensive Income and Expenditure Statement.
- Group Accounts: The draft consolidated financial statements only consolidated 'This Land Ltd' balances up to the 31 December 2018 rather than up to the Group's balance sheet date of the 31 March 2019.
- Private Finance Initiatives: Our review of the Council's PFI schemes identified a number of disclosure issues and that the total finance lease liability for the Council's Waste PFI was over stated by £1.260 million.
- Reclassification Adjustments: We identified a number of additional reclassification adjustments between short and long term debtors £2.800 million; Long and Short term Investments £35.0 million; and Capital Grants and Contributions income netted off within REFCUS £34.082 million.

In addition, our initial review of the draft financial statements identified 110 disclosure adjustments which have been corrected by management in the revised financial statements subject to approval.

Executive Summary

Adjusted Audit differences continued

There has been a national issue which has required a late change to the pension fund accounts and IAS19 fund liability disclosures following the publication of the draft financial statements. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has lead to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes. In addition, there has been the High Court case ruling that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females and this had had an impact on the Pension Fund Liability as well.

The initial work performed by the Authority on this issue has indicated that the impact was material for the Pension Fund disclosures and therefore revised figures for the LGPS were obtained and updated from the Council's actuary.

This has resulted in an increase to the total pension fund liability of £24.980 million, with further associated disclosure added to recognise this as a source of estimation uncertainty and an adjusted Post Balance sheet event.

Unadjusted Audit differences

We identified one unadjusted audit differences.   Our review of the Council's Private Finance initiative schemes identified that the total finance lease liability of the Council's Street Lighting PFI was over stated by £1.261 million.

Management have chosen not to adjust for this. We ask that this adjustment be corrected or a rationale as to why they are not corrected be approved by the Audit and Accounts Committee and include in the Letter of Representation. The aggregated impact of unadjusted audit differences is £1.261 million. We concur with management's assessment that the impact is not material to the financial statements as a whole.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Accounts Committee.

Executive Summary

Correspondence from the Public

We have received one objections to the financial statements from members of the public. We are currently awaiting the conclusion of the 2016/17 and 2017/18 objections before we determine the validity of the objection that we have received.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. During the audit, we have not identified any significant deficiencies in internal controls that require reporting to you, other than those already reported concerning the control and review of the preparation of the Council's financial statements.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. At the time of writing this report we are yet to complete our work on the Whole of Government Accounts (WGA) return and will provide you with an update at the Audit and Accounts Committee.

We therefore expect to issue the audit certificate at a later date to the audit opinion.

We have no other matters to report.

02 Areas of Audit Focus

Areas of Audit Focus

Fraud risk - misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What did we do?

We have completed our standard procedures to address the fraud risk, which included:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including;
- Testing of journal entries and other adjustments in the preparation of the financial statements;
- Reviewing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for significant unusual transactions.

What are our conclusions?

As reported in our Audit Plan, our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

The results of our work on these specific risks are set out on the following pages.

We have not identified any new areas at risk of manipulation.

Areas of Audit Focus

Fraud risk – incorrect capitalisation of revenue expenditure

What is the risk?

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We have considered the key areas where management has the material opportunity and incentive to override controls and consider the risk applies to capitalisation of revenue expenditure.

Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

What did we do and what judgements did we focus on?

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Council has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.

We have completed the following procedures to address the risk:

- Capital additions testing - We selected a sample of capital additions based on our established testing threshold and tested these to confirm that all amounts could be agreed to appropriate audit evidence (e.g. invoice, valuation certificate etc.) and that the item being capitalised was capital in nature.
- Data analytics journal entry testing - As part of our testing of journals we included specific tests to search for unusual activity that:
    - Moves expenditure from the CIES to PPE on the balance sheet.
    - Reduces expenditure and creditors.

What are our conclusions?

- Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value;
- Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified; and
- Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Areas of Audit Focus

Fraud risk – accounting adjustments made in the 'Movement in Reserves Statement

What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a way of achieving these targets.

We have considered the key areas where management has the material opportunity and incentive to override controls and consider the risk applies to accounting adjustments made in the Movement in Reserves Statement (MiRS):

- The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning;
- Revenue Expenditure Funded from Capital Under Statute (REFCUS);
- Capital Grants;
- Depreciation, impairments and revaluation losses; and
- Minimum Revenue Provision (MRP)

What did we do and what judgements did we focus on?

The adjustments between accounting basis and funding basis under regulation in the financial statements materially changes the charges to the General Fund balance.

This line is shown in the Movement in Reserves Statement. As the Regulations are varied and complex there is an inherent risk that management use this line to manipulate the General Fund balance.

We identified the following areas as having a higher risk of management override:
- Revenue items incorrectly identified as Revenue Expenditure Funded from Capital Under Statute,(REFCUS) thus funded from capital.
- Removal of capital grants from the General Fund through the MiRS. These are material amounts and could be incorrectly applied to fund revenue items.
- Depreciation, impairment and revaluation losses. Charged to the surplus or deficit on the provision of services and then adjusted through the MiRS to unusable reserves.

To address this risk we:
- Sample tested REFCUS to ensure the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;
- Reconciled entries for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants;
- Performed testing of revaluations made during 2018/19 and reviewed other documentation to determine whether there was any indication that assets required impairment.
- Undertook substantive analytical review procedures over the depreciation charge to determine that the annual charge was correct.
- Reviewed the Council's policy and application of the 'Minimum Revenue Provision'.

Fraud risk – accounting adjustments made in the 'Movement in Reserves Statement

What are our conclusions?

Our audit work has not identified any material issues or unusual transactions to indicate any misreporting of the Council's financial position through manipulation of postings to the movement in reserves statement.

- Our sample testing of REFCUS transactions found that they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;
- We did not identify any inconsistency whilst reconciling entries in the Movement in Reserves Statement; and
- At the time of this report we have not yet concluded on the Council's policy and application of minimum revenue provision.

Significant risk - Valuation of Land and Buildings

What is the risk?

The Council has engaged a new external expert to value assets in 2018/19. The external valuer will apply a number of complex assumptions and judgements assess the Council's assets to determine their value. Some of the issues they will consider include whether there is any indication of impairment, increases in value and changes to useful lives.

As the Council's asset base is material, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and what judgements did we focus on?

We have completed our standard procedures to address the risk, which included:

- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre), and agreed this to what had been recorded in the Fixed Asset Register and General Ledger;
- Considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer;
- Reviewed changes to useful economic lives as a result of the most recent valuation;
- Assessed changes in valuation methodology applied by the new valuer;
- Engaged our own EY valuation experts to perform a review of valuation assumptions and methodologies on those more complex methodologies such as depreciated replacement cost and the valuation of retail park assets; and
- Tested accounting entries to confirm they had been correctly processed in the financial statements.

We focused on aspects of the land and buildings and investment property valuations which could have a material impact on the financial statements, primarily:

- any significant changes in the asset base;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

Significant risk – Valuation of Land and Buildings

What are our conclusions?

We have concluded the Council's expert valuers possess the relevant qualifications and experience, and undertook a review of all of the Council's assets. We therefore concluded that we were able to rely on the work of the valuer.

We have reviewed changes to useful economic lives as a result of the most recent valuation. Our work to date has not identified any issues at the time of writing this report, but our work in this area is still in progress.

We have confirmed that the accounting entries and disclosure complied with relevant accounting standards and the Code.

Our audit procedures identified one school asset building which had been valued by the Councils external valuer as at 31 November 2018 as an 'Asset Under Construction'. The asset subsequently became operational in February 2019, but this was not communicated to the valuer – so the valuation basis was not updated.

We have assessed changes in valuation methodology applied by the new valuer, and have no matters to report.

We have corroborated the assumptions used by the external valuer in his valuations of a sample of assets. Our work has not identified any issues to report.

We engaged our own internal valuer to review valuation assumptions and methodologies on a sample of specialist assets valued at depreciated replacement cost. The valuation of all assets we tested were within an acceptable range as determined by our internal experts.

We have noted a number of audit differences in section 4 of this report in relation to Property, Plant and Equipment and related accounting entries.

Significant risk - New financial system

What is the risk?

The Council implemented a new general ledger financial system on the 1 April 2018 (ERP Gold).

Our initial review has identified material differences between the 2017/18 audited closing balances within the old system and the 2018/19 opening balances contained within the new system.

There therefore remains a risk that 100% of information has not been appropriately transferred to the new system leading to material misstatement in the 2018/19 financial statements.

What did we do and what judgements did we focus on?

We have completed our standard procedures to address the risk, which included:

- We used our data analytics tool to check consistency of mapping (100% coverage) through uploading of data from the new system for both 2017/18 and 2018/19 into our data analytics tool;
- We agreed the 2017/18 re-mapped data to the audited 2017/18 financial statements;
- We applied data analytic trending analysis and investigated material differences; and
- Used the results of our transactions testing applied to BS and I&E to provide further assurance on the mapping applied to the 2018/19 data.

What are our conclusions?

Our audit work has not identified any material issues or unusual transactions in relation to the implementation of the Council's new financial system other than the differences noted above with the Council's opening balances which have been resolved by management.

We have noted that the Council's Draft Financial Statements included an 'Opening Balance Adjustment' of £26.180 million within its Capital Adjustments Account note.

This adjustment relates to accounting errors identified by the Council in financial years prior to 2018/19. This was identified upon review of the data being migrated to the Council's new accounting system and fixed asset register.

The errors identified relate to prior year treatment of revaluation movements and accounting adjustments between the Comprehensive Income and Expenditure Statement and the Revaluation Reserve.

Upon review of this adjustment we have agreed with management that this constitutes a prior period adjustment (as it is material and meets the definition of IAS 8) and therefore requires disclosure in the revised financial statements.

The Prior Period Adjustment is required to the comprehensive Income and Expenditure (CIES) statement along with the adjustments to the Council's reserves (Balance Sheet).

We are concluding our assessment of the proposed accounting adjustments.

Area of Audit Focus

Conversion of schools to Academies

As set out in our Audit Plan, Schools have continued to convert to 'Academy' status during 2018/19. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.

There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.

Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Council's accounts are considered to be lower risk due to their size and nature.

To address this risk we:

- Reviewed the arrangements for identifying the school assets, liabilities and balances for transfers; and
- Reviewed how the transfers have been accounted for, including reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year.

Our conclusions are:

- Our review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions; and
- Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.

Areas of Audit Focus

Area of Audit Focus

Pensions valuations and disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

The information disclosed is based on the IAS19 report issued to the Council by the actuary to the pension fund.

Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

To address this risk we:

- Liaised with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire County Council;
- Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they used by relying on the work of PwC – Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering the corresponding reviews performed by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Our conclusions are:

- We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required without identifying any issues; and
- The Council has received a revised IAS 19 report with an updated net assets position based on the final reported position of the Pension Fund, the impact of the Guaranteed Minimum Pension (GMP) ruling and the impact on the McCloud rulings. This has resulted in a number of changes to the statement of accounts, the main impact being an increase in the net pension fund liability of £24.980 million, and a corresponding increase in the Council's Unusable reserves. Further documentation of this adjustment can be found in Section 4 of this report.

Area of Audit Focus

Private Finance Initiative (PFI)

The Council operate three material PFIs which are long term private funded schemes.

The Income, Expenditure and Balance Sheet accounting entries in the statement of accounts are based on complex PFI operating and finance models for each scheme. The models also provide the required disclosures of future projected payments.

To address this risk we:

- Engaged EY specialists to perform a review of the three PFI models, including review of the underlying contracts;
- Performed testing to ensure that in year payments included in the PFI models are accurate and correctly accounted; and
- Confirmed consistency of the PFI models to the financial statements.

Our conclusions are:

- Our review and testing of the three PFI identified a number of disclosure and numerical amendments, in particular impacting the finance lease liability for the Waste and Street lighting PFI's. Further documentation of this adjustment can be found in Section 4 of this report; and
- Our testing confirmed consistency of the PFI models to the financial statements.

Valuation of Heritage Assets

Our review of the 2017/18 accounts has identified heritage assets of £21.20 million. Asset values have not been updated since 2008. As per the Code, "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current." Given the length of time since the Council previous valuation we deem there to be a higher risk over the valuation of heritage assets.

To address this risk we:

- Reviewed and tested management's consideration of the value and the valuation methodology applied to heritage assets to confirm that they remain current.

Our conclusions are:

- Our testing of Heritage assets and the valuation methodology applied by management to determine the valuations has not identified any material difference in the valuation reported in the financial statements. However, we will seek formal representations from Management that they believe the 2008 valuation remains the most appropriate basis upon which to base the 31 March 2019 valuation.

Areas of Audit Focus

Area of Audit Focus

Characterisation of Capital Grants

Our review of the previous auditor's working papers identified errors in the categorisation of capital grants between those received in advance and those that should have been credited to the CIES.

To address this risk we:

- Performed sample testing over capital grants received in advance (held on balance sheet) and those posted through the CIES; and
- Reviewed these for the underlying terms/conditions to ensure categorisation is appropriate.

Our conclusions are:

- Our review and testing of capital grants identified one adjustment in relation to the incorrect classification of capital grants of £1.442 million within the Balance Sheet. Capital grants Received in Advance which should have been classified under Grant Income within the Comprehensive Income and Expenditure Statement. Further documentation of this adjustment can be found in Section 4 of this report.

Sensitive Notes

Our review of the previous auditor's working papers identified audit amendments to the following sensitive notes which have a lower materiality threshold:

- Related Parties note;
- Senior Officers Remuneration note; and
- Exit Packages note.

To address this risk we:

- Tested completeness of all sensitive disclosures, as well as the relevant accuracy of figures disclosed.

Our conclusions are:

- Our testing of the related parties note and the Exit packages note identified a number of disclosure adjustments.
- Our testing of the Exit packages note identified that the disclosure did not include information on those individuals whose payroll data was processed through payroll systems other than the main Education Personnel Management schools payroll systems.
- Our work on the Senior Officers remunerations note is not yet finalised, as we are completing our testing of the disclosed information back to contractual entitlements.

Areas of Audit Focus

Other Areas of Audit Focus – New accounting standards

The Code requires the Council to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:

- IFRS 9 – Financial instruments;
- IFRS 15 – Revenue from contracts; and
- IFRS 16 – Leases.

There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

Standard	Audit Findings
IFRS 9 – Financial Instruments	Our audit procedures identified some disclosure adjustments. We have not identified any other audit issues.
IFRS 15 – Revenue from Contracts	Our audit procedures for revenue from contracts did not identify any audit issues.
IFRS 16 – Leases	IFRS 16 replaces IAS 17 Leases and its related interpretations. It will now apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the Council. We have considered the Council's implementation plan and preparedness for IFRS 16. The Council have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Council is well placed to address the implications of IFRS 16. IFRS16 will apply to the Norse Group in 2019/20, a year ahead of the application date for Local Government. The Council will therefore need to consider the consolidation adjustments required for the Council's 2019/20 financial statements.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below:

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (2019/20 Code Cpt 2.1 refers);
  - new definitions of assets, liabilities, income and expenses
  - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
  - enhanced guidance on measurement bases
- Guidance in the treatment of the Apprenticeship Levy (2019/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (2019/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (2019/20 Code Cpt 9 refers).

03 Audit Report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL

Opinion

We have audited the financial statements of Cambridgeshire County Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement;
- Authority and Group Comprehensive Income and Expenditure Statement;
- Authority and Group Balance Sheet;
- Authority and Group Cash Flow Statement;
- the related notes 1 to 41 to the Authority Financial Statements;
- The related notes 1 to 7 to the Group Accounts; and
- The Accounting Policies (Appendix 1).

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridgeshire County Council and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Report (Continued)

Our opinion on the financial statements

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer 's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the "Cambridgeshire County Council Statement of Accounts and Annual Governance Statement 2018-2019", other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;

(continued)

Our opinion on the financial statements

(continued)

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the "Statement of Responsibilities, Certificate and Approval of Accounts" set out on pages 29 and 30, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Audit Report (Continued)

Our opinion on the financial statements

Pension Fund financial statements

On 31 July 2019 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2019 included within the Statement of Accounts.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

In addition, we have been unable to form a conclusion on whether we are satisfied that, in all significant respects, Cambridgeshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019 as the Authority has not yet received its conclusion in relation to the arrangements in place for the year ended 31 March 2018.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £0.81 million which have been corrected by management that were identified during the course of our audit:

1. IAS19 Pension Liability
A ruling was made related to age discrimination arising from public sector pension scheme transition arrangements affecting judges' pensions (McCloud) and firefighter pensions (Sergeant) that had implications for the local government pension scheme.

The LGPS Scheme Advisory Board commissioned GAD to undertake an assessment of the impact of the McCloud judgement on the LGPS. EY Pensions have been able to replicate GAD's findings and outcomes and we have therefore concluded that a reliable estimation methodology is available.

The judgement gives rise to a liability and past service cost under IAS19. There is a constructive obligation to take into account given the McCloud (and Sargeant) rulings are that the transitional protections given during the 2015 pension scheme reforms were unlawful. The circumstances meet the criteria for a provision, taking account of the principles under IAS37. The Council has assessed the impact on their statement of accounts taking into account their view of materiality, by requesting a revised IAS 19 report from their actuary. We have made an assessment of the reasonableness of the calculation based on guidance from EY Pensions.

In addition to the above, the Guaranteed Minimum Pension (GMP) ruing has also had an impact on the pension liability along with a difference between the estimated year end asset valuation of the pension fund and the actual year end valuation.

The revised IAS 19 report received by the Council updated the net assets position based on the final reported position of the Pension Fund, the impact of the Guaranteed Minimum Pension (GMP) ruling and the impact on the McCloud rulings. This has resulted in a number of changes to the statement of accounts, the main impact being an increase in the net pension fund liability of £24.980 million, and a corresponding increase in the Council's Unusable reserves.

- Debit: Balance Sheet – Unusable Reserves: Pensions Reserve = £24.980 million
- Credit: Balance Sheet – Liability related to Defined Benefit Pension Scheme = £24.980 million

Summary of adjusted differences (continued)

2. Property, Plant and Equipment
Our audit procedures over Property, Plant and Equipment identified a number of audit adjustments:

a. During the financial year 2018/19 the Council undertook a valuation of a number of its property, plant and equipment assets leading to an overall upwards revaluation of these assets. The Council had not correctly posted the split between the Revaluation Reserve and Surplus or Deficit on Revaluation of Property, Plant and Equipment in the Comprehensive Income and Expenditure Statement for this upwards revaluation. This resulted in an understatement of £6.348 million of the Surplus / Deficit on Revaluation of property, Plant and Equipment in the Comprehensive Income and Expenditure Statement with the corresponding understatement in the Council's Revaluation Reserve.

- Debit: Balance Sheet – Revaluation Reserve = £6.348 million
- Credit: Comprehensive Income & Expenditure Statement – Surplus or Deficit on revaluation of PPE = £ 6.348 million

b. The Council's 2018/19 Property, Plant and Equipment valuation was performed as at 30th November 2018 and included the valuation of the old Wyton School Building. This asset was subsequently demolished prior to the Balance Sheet date of the 31 March 2019 when the new Wyton School building became operational in February 2019. Our audit procedures identified that the Council's Draft Financial Statements did not correctly reflect this situation showing two audit differences:

- The Draft Financial Statements did not include the disposal of the old Wyton School building and as such Property, Plant and Equipment was overstated by £1.875 million, with the corresponding adjustment in the Comprehensive Income and Expenditure statement, Loss on Disposal of Property, Plant and Equipment.
- The Draft Financial Statements incorrectly classified the new Wyton School asset with a value of £8.822 million as an Asset under construction rather than an operational asset as at the 31 March 2019.

- Debit: Comprehensive Income & Expenditure Statement – Loss on disposal of PPE = £1.875 million
- Credit: Balance Sheet – Property, Plant and Equipment – Land and Buildings = £1.875 million
- Debit: Balance Sheet – Property, Plant and Equipment – Land and Buildings = £8.822 million
- Credit: Balance Sheet – Property, Plant and Equipment – Assets Under Construction = £8.822 million

The value of Property, Plant and Equipment within the Council's Draft Financial Statement was understated by £15.553 million as it did not include indexation adjustment of Land and Buildings assets not valued during the financial year 2018/19.

c. The Council's Draft Financial Statements included an 'Opening Balance Adjustment' of £26.180 million within its Capital Adjustments Account note. This adjustment relates to accounting errors identified by the Council in financial years prior to 2018/19 arising from the implementation of the Council's new accounting system and fixed asset register. The errors identified relate to prior year treatment of revaluation movements and accounting adjustments between the Comprehensive Income and Expenditure Statement and the Revaluation Reserve. (Continued over the page)

Summary of adjusted differences (continued)

Upon review of this adjustment we have agreed with management that this constitutes a material prior period adjustment and requires disclosure as such in the revised accounts, there also being a prior period adjustment required to the comprehensive income and expenditure statement along with the adjustments made to the Council's reserves.

- Debit: Balance Sheet – Property, Plant and Equipment – Land and Buildings = £15.554 million
- Credit: Balance Sheet – Revaluation Reserve = £13.112 million
- Credit: Comprehensive Income & Expenditure Statement = £2.442 million

3. Revenue Grant Income
Our audit procedures over grant income identified an number of audit adjustments:

The Basic Needs Grant received by the Council during the financial was understated by £27.531 million within Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Grant income credited to Net Cost of Services in the Comprehensive Income and Expenditure statement had been overstated by £26.272 million.

- Debit: Balance Sheet – Usable reserves = £27.531 million
- Credit: Comprehensive Income and Expenditure Statement - Taxation and non specific grant income = £27.531 million
- Debit: Comprehensive Income and Expenditure Statement - Net cost of services = £27.531 million
- Credit: Balance Sheet – Usable reserves = £27.531 million

4. Capital Grant Income
The Draft Financial Statements included £1.442 million of Capital Grant Income classified as Capital Grants Received in Advance within the Council's Balance Sheet which should have been classified as Grant income with in Net Cost of Services in the Comprehensive Income and Expenditure Statement.

- Debit: Balance Sheet – Capital Grants Received in Advance = £1.442 million
- Credit: Comprehensive Income and Expenditure Statement – Net Cost of Services = £ 1.442 million

Audit Differences

Summary of adjusted differences (continued)

5. Group accounts
We identified that the Draft Financial Statements only consolidated balances to the 31 December 2019 for its subsidiary, This Land Ltd, this being the date of the subsidiary's financial statements. The Councils consolidated group accounts are required to include subsidiary balances to the 31 March 2019. We are still finalising our work in this area.

6. Private Finance Initiatives
The Council has three Private Finance Initiative schemes in relation to Waste, Street Lighting and Building Schools for the Future. Upon review of these schemes and the financial models underpinning them, we identified a number of disclosure adjustments and for the Waste scheme the total finance lease liability was overstated by £1.260 million.

- Debit: Balance Sheet – Long term Finance Lease Liability = £1.073 million
- Debit: Balance Sheet – Short term Finance Lease Liability = £0.187 million
- Debit: Comprehensive Income and Expenditure Statement – Financing and Investment expenditure = £1,259 million
- Credit: Balance Sheet – Capital Adjustment Account = £1.260 million
- Credit: Comprehensive Income and Expenditure Statement - Place and Economy expenditure = £1,021 million
- Credit: Balance Sheet – Minimum Revenue Provision = £0.238 million

7. Reclassification adjustments
We identified a number of reclassification adjustments within the Draft financial statements:
Reclassification of This Land debtor of £2.800 million from Short term Investments to Long term Debtor.

- Debit: Balance Sheet – Long Term Debtors = £2.800 million
- Credit: Balance Sheet – Short Term Investments = £2.800 million

Reclassification of £35.000 million from Long term Investments to Short term Investments.

- Debit: Balance Sheet – Long term Investments = £35.000 million
- Credit: Balance Sheet – Short term Investments = £35.000 million

Reclassification of grant income of £34.082 million to Capital grants and Contributions which had been incorrectly netted off within Revenue Expenditure Funded through Capital Under Statute (REFCUS) within the notes to the Financial Statements.

- Debit: REFCUS = £34.082 million
- Credit: Capital Grants and Contributions = £34.082 million

8. Other Adjustments
We also identified through our initial review of the draft financial statements 110 disclosure adjustments which have been corrected by management in the revised financial statements subject to approval.

Audit Differences

Summary of unadjusted differences

We highlight the following misstatements greater than £0.809 million which have not been corrected by management that were identified during the course of our audit:

Our review of the Council's Private Finance initiative schemes identified that the Councils Street Lighting PFI's total finance lease liability was over stated by £1.261 million.

- Debit: Balance Sheet – Long term Finance Lease Liability = £1.178 million
- Debit: Balance Sheet – Short term Finance Lease Liability = £0.083 million
- Credit: Balance Sheet – Capital Adjustment Account = £1.261 million

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 Month 2019.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Cambridgeshire County Council Statement of Accounts 2018/19 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Cambridgeshire County Council Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements.

We have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will complete this work once we have completed our audit of the financial statements and will then report appropriately.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues and have not had course to use this duty.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have no matters to report.

Requirements of the Account & Audit Regulations 2015

Publication of draft financial statements
The Council did not publish the draft financial statements by the 31 May 2019 deadline required by the Account and Audit Regulations. The draft financial statements were published on the 10 June 2019.

Public Inspection Period
As a result of the late publication of the draft financial statements above, the Council has to re-advertise the public inspection period – which was not able to include the first 10 days of June as required by the Account and Audit Regulations 2015. However, the revised dates did provide the full quantum of inspection days for Members of the public.

Correspondence from the Public

We have received correspondence from one member of the public. We treated the correspondence as information provided to the auditor as part of the audit and have no matters to report as a result.

We have received one objection to the financial statements from members of the public. We are currently awaiting the conclusion of the 2016/17 and 2017/18 objections before we determine the validity of the objection that we have received.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 4 February 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Accounts and Accounts Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Accounts Committee on 31 October 2019.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Independence

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included above.

We confirm that none of the services has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Services provided by Ernst & Young

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Proposed final fee 2018/19	Scale fee 2018/19
	£'s	£'s
Total Fee – Code work	(Note 1)	72,427
Total fees	To be confirmed	72,427

All fees exclude VAT

Note 1 – We have yet to conclude our 2018/19 audit and are therefore not in a position to conclude on the final fee for 2018/19.
However, this report does demonstrate a high number of audit adjustments as a result of our audit work, so we will need to seek a variation to the scale fee.

09 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
‣ Property, plant and equipment ‣ Investment property ‣ Long term debtors ‣ Short term investments ‣ Cash and cash equivalents ‣ Short term debtors ‣ Short term creditors ‣ Short and long term borrowings ‣ PFI liability (short and long term) ‣ Liability related to Defined Benefit Pension Scheme ‣ Provisions (short and long term) ‣ Capital grants received in advance ‣ Useable and unusable reserves	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
‣ Intangible assets ‣ Heritage assets ‣ Inventories ‣ Assets held for sale ‣ Long term investments	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

Appendix B

Summary of communications

Date	Nature	Summary
4 October 2018	Meeting	The partner in charge of the engagement, and Senior Manager, met with the management at the commencement of our engagement.
22 November 2019	Meeting	The partner in charge of the engagement attended the Audit and Accounts Committee in an observational capacity.
24 January 2019	Meeting	The partner in charge of the engagement attend the Audit and Accounts Committee in an observational capacity.
25 January 2019	Meeting	The partner in charge of the engagement met with the Chair of the Audit and Accounts Committee.
7 February 2019	Meeting	The partner in charge of the engagement and manager met with management to discuss the Audit Plan.
28 March 2019	Meeting / Report	The partner in charge of the engagement presented the Audit Plan to the Audit and Accounts Committee.
28 May 2019	Meeting / Report	The partner in charge of the engagement attended the Audit and Accounts Committee.
29 July 2019	Meeting	The partner in charge of the engagement, and Senior Manager, attended the Audit and Accounts Committee to provide an update on the status of the audit.
24 September 2019	Meeting	The partner in charge of the engagement attended the Audit and Accounts Committee and provided an update on the status of the audit.
24 October 2019	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit and Accounts Committee.
31 October 2019	Meeting / Report	The partner in charge of the engagement attended the Audit and Accounts Committee and presented the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings. The partner in charge of the engagement, along with other senior members of the audit team also communicated with met with the external auditor for This Land Ltd to communicate group instructions work.

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – 28 March 2019
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – 31 October 2019
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Cambridgeshire County Council's ability to continue for the 12 months from the date of our report.
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	Audit Results Report – 31 October 2019

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Subsequent events	▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	No matters have been identified.
Fraud	▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit Results Report – 31 October 2019
Related parties	Significant matters arising during the audit in connection with the Council's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Council	Audit Results Report – 31 October 2019
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the audit committee include: ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant	Audit Plan – 29 March 2019, and Audit Results Report – 31 October 2019

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Details of any contingent fee arrangements for non-audit services ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Plan – 29 March 2019, and Audit Results Report – 31 October 2019

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Management have given consent for us to request external confirmations.
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – 31October 2019
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Plan – 29 March 2019, and Audit Results Report – 31 October 2019
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – 31 October 2019

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – 31October 2019
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – 31 October 2019
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan – 29 March 2019, and Audit Results Report – 31 October 2019

Appendix D - Request for a Letter of Representation

Management Rep Letter

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Building a better working world

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Chris Malyon
Deputy Chief Executive & Chief Finance Officer
Cambridgeshire County Council
Shire Hall
Castle Hill
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CB3 0AP

24 October 2019

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Chris

Cambridgeshire County Council – 2018/19 financial year

Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the consolidated and council financial statements of Cambridgeshire County Council ("the Group and Council") for the year ended 31 March 2019.

You recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the Group and Council financial statements give a true and fair view of the Group and Council financial position of Cambridgeshire County Council as of 31 March 2019 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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You understand that the purpose of our audit of your consolidated and council financial statements is to express an opinion thereon and that our audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. You have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. You acknowledge, as members of management of the Group and Council, your responsibility for the fair presentation of the consolidated and council financial statements. You believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. You have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, you believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for the Group and Council that are free from material misstatement, whether due to fraud or error.

5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

   That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).
   or;

6. That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.

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B. Non-compliance with law and regulations, including fraud

1. You acknowledge that you are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. You have disclosed to us the results of your assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:

   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

   - Access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that we have requested from you for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

3. You have made available to us all minutes of the meetings of the Group, Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 31 October 2019.

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4. You confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Group and Council's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. You believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

6. You have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the consolidated and council financial statements.

2. You have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. You have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in the relevant note to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. You confirm that all necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

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3. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

4. You confirm that the consolidation of 'This Land Ltd' is on the basis of a full financial year to the 31 March 2019 and all significant transactions post 31 December 2018 year end, as reflected in the formal 'This Land Ltd' audited accounts, have been bought to our attention.

G. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the "*Cambridgeshire County Council Statement of Accounts and Annual Governance Statement 2018-19*" document.

2. You confirm that the content contained within the other information is consistent with the financial statements.

H. Going Concern

1. You have made us aware of any issues that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

J. Reserves

1. You have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

K. Use of the Work of a Specialist – Property, plant and equipment

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Property Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Valuation of Property, Plant and Equipment Assets

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA ASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

7. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

8. You confirm that for assets carried at historic cost that no impairment is required.

M. Retirement benefits

1. On the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

N. Use of the Work of a Specialist – Pension Liabilities

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

O. Valuation of Pension Liabilities

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Appendix D – Request for a Letter of Representation (continued)

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2. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

P. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Council.

Q. Specific Representations

1. Heritage Assets

You confirm that, as management, you are assured that the carrying value of Heritage Assets is materially correct as at the 31 March 2019, based on the formal insurance valuations obtained in 2008.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit & Accounts Committee) on the proposed audit opinion date (actual date to be confirmed) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

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