Cambridgeshire County Council

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

Contents

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

Income and Expenditure

- The cost of running the Council's services (Cost of Services) was £362.7m for 2018-19 compared to £397.6m for 2017-18
- Taxation and Non-Specific Grant Income stood at £452.8m compared to £412.3m the previous year
- Total Comprehensive Income and Expenditure (including all accounting entries was £15.2m, a reduction on the prior year of £6m

Balance Sheet

- Non Current Assets (fixed assets) totalled £1,934m in 2018-19, representing an increase of £93m
- The largest single type of asset for the Council is its Property, Plant and Equipment with a value of £1,864m (which compares to £1,792m at the 31st March 2018
- The Council has long term borrowing of £471m at the 31st March 2019, up £120m from the 31st March 2018. The Authority has a pension liablity of £588m at the balance sheet date, up from £507m the previous year
- Usuable Reserves for the Council were down compared to the prior year by £5.6m

Cash Flow Statement

- Cash and Cash equivalents at the end of 2018-19 were £8.3m, a reduction of £31m compared to the previous year.

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 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 reflecting land values at the point of transfer of property to the company from the Council and progress with drawing down construction funds; the other two thirds relate 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.

Revenue spending on Services

The Council's net cost of services for 2018-19 was £362.7m. This figure was £44.5m 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.

Cambridgeshire County Council

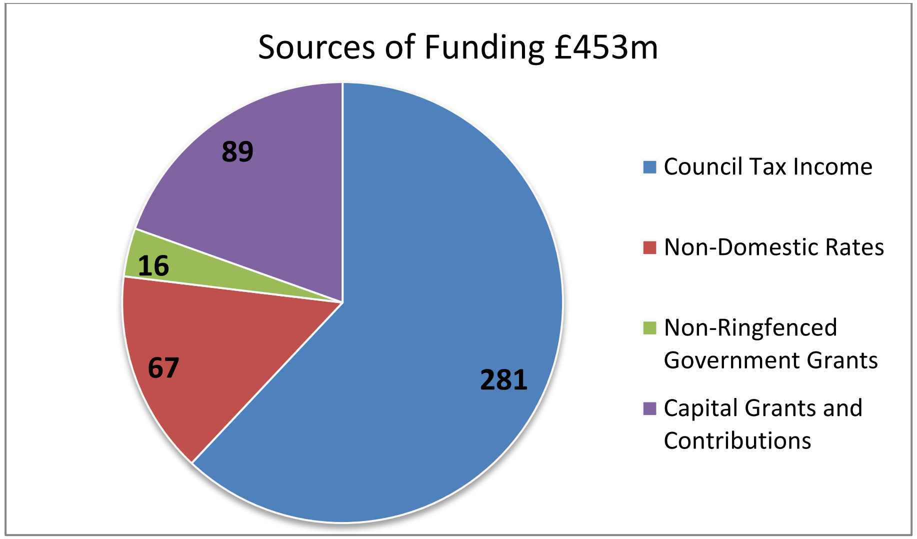
Additionally, there was a 20% increase in pupils attending special schools and a 13% increase in pupils with Education Health Care Plans (EHCPs) over the course of the 2017/18 academic year, as well as an increase in complexity of need resulting in an overspend of £1.5m, on services financed by the general 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.

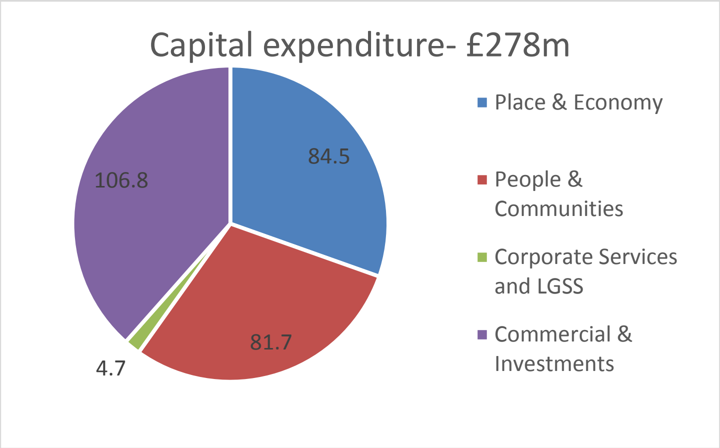
The Council’s net budget is mainly financed through council tax, business rates and government grant, and totals £453m as shown below:



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 28).

Capital spending and financing

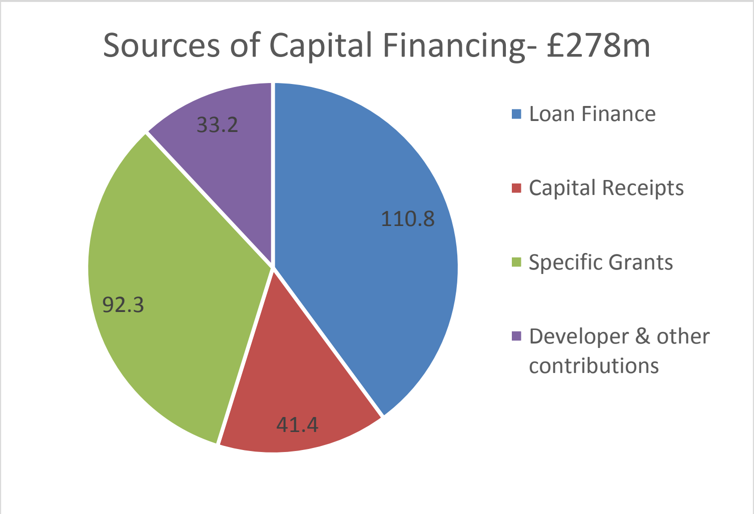
The Council’s adjusted capital budget for the year was £297.3m plus £26.1m Greater Cambridge Partnership budget. Actual capital expenditure financed from capital resources for the year was £281.9m, leaving £41.5m of the adjusted capital budget unspent (13%) at the year end. This was largely due to the 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; investments are 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, typical 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.

Reserves

The Council’s total reserves have decreased in-year by £15.2m, to £736.8m, by 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 £612.3m (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 33) and the unusable reserves have decreased by £9.5m from £621.8m to £612.3m, 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 £12.9m (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 £31.0m from £39.3m at 31 March 2018 to £8.3m at 31 March 2019. The £8.3m balance at 31 March 2019 reflected the increase in short term borrowing of £17.7m, up from £148.5m to £130.9m at 31 March 2018.

During 2018-19, the net assets of the Council, and therefore its Balance Sheet value, decreased by £15.2m (a 2% reduction) from an opening balance of £752.0m to a closing balance of £736.8m at 31 March 2019. The material items which caused this net increase in liabilities were the utilisation of usable reserves (£5.7m) partially off-set by an increase in the pension liability of £81m. This was partially offset by an increase of £71m of the Capital Adjustment Account

External borrowing and investment

Total debt outstanding at 31 March 2019 was £601.6m (consisting of £470.7m long term borrowing and £130.9m short term borrowing), which was well within the maximum limit determined in accordance with legislation of £929.3m. There was a net increase of £119.5m in long-term loans in the year and a net decrease of £17.6m 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 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 properties 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 cashflow 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 facility with residential accommodation on the floors above.

this Land.™

A DEVELOPMENT BUSINESS

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 Cambridgeshire still provided these services there is no actually cash transfer.

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.

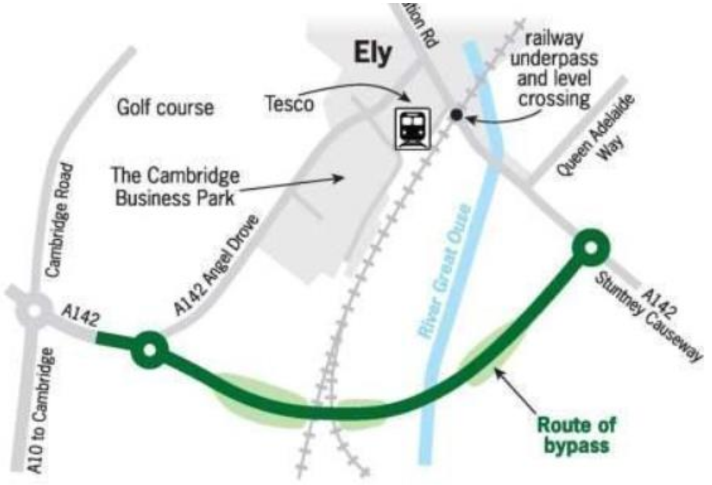
The Combined Authority's website is at: www.cambridgeshirepeterborough-ca.gov.uk

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.

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.



Ely Southern Bypass map

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 purchase of the property fulfilled 3 key objectives:

- To diversify and increase income streams to the Council, protecting frontline services notwithstanding reducing government grant and rising demand.
- To support sustainable and well managed student accommodation, held in local ownership in Cambridge, one of the world's leading student cities. There is significant undersupply of purpose built student accommodation in the city with 44% of students unable to access it.
- To encourage 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 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 £588.1m at 31 March 2019. Pension contributions of £32.5m were made during 2018-19, with the pension liability worsening by £66.1m (largely as a result of changes to the actuarial financial assumptions) and by £47.4m in the value of the Fund’s commitments) relating to employee service in 2018-19). Overall this has resulted in a £81.0m 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; 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.

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 32)

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 34)

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 40)

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 £362.7m. 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 surplus on the provision of services was £56.0m.

Movement in Reserves Statement (page 41)

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 £9.5m, largely as a result of technical accounting adjustments impacting upon the Pensions Reserve, Revaluation Reserve and Capital Adjustment Account.

Balance Sheet (page 42)

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, an decrease of £31.0m in cash and cash equivalents from £39.3m as at 31st March 2018 to £8.3m 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 capital grants and contributions received in advance from £43.9m to £55.1m.

Cash Flow Statement (page 43)

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 £31.0m from £39.3m as at 31st March 2018 to £8.3m 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 51)

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 £59.3m. 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 44)

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 145)

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 233 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 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.

Cambridgeshire County Council

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:

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

Core Financial Statements

Comprehensive Income and Expenditure Statement

2017-18 Gross Expenditure £000	2017-18 Gross Income £000	2017-18 Net Expenditure (+) / Income (-) £000		2018-19 Gross Expenditure £000	2018-19 Gross Income £000	2018-19 Net Expenditure (+) / Income (-) £000
139,181	-50,826	**88,355**	Place & Economy	108,799	-29,915	**78,884**
699,166	-430,121	**269,045**	People & Communities	651,160	-402,004	**249,156**
27,156	-26,505	**651**	Public Health	26,555	-26,023	**532**
19,680	-4,123	**15,557**	Corporate Services & LGSS Managed	21,892	-8,819	**13,073**
21,462	-18,575	**2,887**	Commercial & Investment	24,139	-16,106	**8,033**
22,059	-10,741	**11,318**	LGSS Operational	21,043	-9,565	**11,478**
928,704	**-540,891**	**387,813**	**Cost of Services**	**853,588**	**-492,432**	**361,156**
73,935	0	**73,935**	Other operating expenditure	391	-7,075	**-6,684**
40,898	-3,344	**37,554**	Financing and investment income and expenditure	49,455	-8,580	**40,875**
0	-402,571	**-402,571**	Taxation and non specific grant income		-451,314	**-451,314**
		96,731	**Surplus (-) or Deficit (+) on Provision of Services**			**-55,967**
		-78,988	Surplus (-) or deficit (+) on revaluation of property, plant and equipment			**-10,454**
		27,804	Impairment and revaluation loss charged to the revaluation reserve			**15,544**
		-24,378	Remeasurement of net pension benefit/liability			**66,099**
		-75,562	**Other Comprehensive Income (-) and Expenditure (+)**			**71,190**
		21,169	**Total Comprehensive Income (-) and Expenditure (+)**			**15,223**

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	-96,731	0	0	-96,731	75,563	-21,168
Adjustments between accounting and funding basis under regulations (note ?)	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**
Movement in 2018/19						
Total comprehensive income and expenditure	55,967	0	0	55,967	-71,190	-15,223
Adjustments between accounting and funding basis under regulations (note ?)	-59,235	20,415	-22,833	-61,653	61,653	0
Increase (+) or decrease (-) in 2018-19	**-3,268**	**20,415**	**-22,833**	**-5,686**	**-9,537**	**-15,223**
Balance at 31-Mar-19	**76,919**	**20,415**	**27,228**	**124,562**	**612,279**	**736,841**

* General Fund balances include earmarked reserves

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	1,864,031
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	120,069
1,906,299	**Long Term Assets**		**2,067,184**
0	Short term investments	25	3,125
9,447	Assets held for sale	22	3,231
860	Inventories		773
99,538	Short term debtors	27	133,152
39,280	Cash and cash equivalents	28	29,215
149,125	**Current Assets**		**169,496**
0	Cash and cash equivalents	28	-20,936
-148,522	Short term borrowing	25	-130,871
-124,491	Short term creditors	29	-111,730
-3,714	Provisions		-2,454
-2,928	Capital grants and contributions received in advance	32	-3,005
-279,655	**Current Liabilities**		**-268,996**
-5,824	Provisions	24	-6,184
-351,214	Long term borrowing	17	-470,687
-625,731	Other long term liabilities	30	-701,920
-40,936	Capital grants and contributions received in advance	32	-52,052
-1,023,705	**Long Term Liabilities**		**-1,230,843**
752,064	**Net Assets**		**736,841**
130,248	Usable reserves	20	124,562
621,816	Unusable reserves	21	612,279
752,064	**Total Reserves**		**736,841**

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

Cash Flow Statement

2017/18 £000		2018/19 £000
96,731	**Net Deficit on the Provision of Services**	**-55,967**
-37,331	Depreciation	-37,462
-12,142	Impairment and downward valuations	114,246
-288	Amortisation	3,517
4,957	Increase(-)/Decrease in Creditors	12,761
4,238	Increase/Decrease (-) in Debtors	75,217
-64	Increase/Decrease (-) in Inventories	-87
-21,619	Movement in Pension Liability (difference between employer's contributions paid and IAS19 adjustments)	-10,090
-76,635	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-8,770
4,440	Other non-cash items charged to the deficit on the provision of services	900
-134,444	**Adjustments to the net deficit on the provision of services for non-cash movements**	**150,233**
2,893	Proceeds from the sale of property, plant and equipment	0
58,380	Grants for financing capital expenditure	-11,193
-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**	**-11,193**
-4,554	**Net Cashflows from Operating Activities**	**83,073**
96,633	Purchase of Property, Plant and Equipment	34,365
28,170	Purchase of short-term and long-term investments	15,385
0	Proceeds from short-term and long-term investments	0
-3,407	Proceeds from the Sale of Property, Plant and Equipment	0
-72,089	Capital Grants Received	0
49,307	**Investing Activities**	**49,750**
-300,000	Cash Receipts of short and long-term borrowing	-101,822
	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)	0
242,162	Repayments of short and long-term borrowing	0
-56,107	**Financing Activities**	**-101,822**
-11,354	**Net Increase (-)/Decrease in cash and cash equivalents**	**31,001**
27,926	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**	**8,279**

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

03. Notes to the Statements

General Accounting Policies and Judgements

1. ACOUNTING 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.*

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 £16.7m 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, 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.	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. 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 £6.58m 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 Office no transactions had occurred via the company.

Comprehensive Income and Expenditure Statement Supporting Notes

6. EXPENDITURE AND FUNDING ANALYSIS

2017-18 Net Expenditure Chargeable to the General Fund £000	2017-18 Adjustments between Funding and Accounting Basis £000	2017-18 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2018-19 Net Expenditure Chargeable to the General Fund £000	2018-19 Adjustments between Funding and Accounting Basis £000	2018-19 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
24,004	-8,447	**15,557**	Place & Economy	57,910	20,974	**78,884**
237	2,650	**2,887**	People & Communities	243,570	5,586	**249,156**
0	0	**0**	Public Health	629	-97	**532**
61,020	27,335	**88,355**	Corporate Services & LGSS Managed	15,944	-2,871	**13,073**
386	265	**651**	Commercial & Investment	-8,735	16,768	**8,033**
9,509	1,809	**11,318**	LGSS Operational	8,835	2,643	**11,478**
95,156	**23,612**	**118,768**	**Net Cost of Services**	**318,153**	**43,003**	**361,156**
-329,977	38,895	**-291,082**	Other Income and Expenditure	-390,044	-27,079	**-417,123**
-234,821	**62,507**	**-172,314**	**(Surplus) or Deficit**	**-71,891**	**15,924**	**-55,967**
-80,187			Opening General Fund Balance at 31 March	**-80,187**		
0			Plus: Deficit on General Fund Balance In Year	**-71,891**		
-80,187			**Closing General Fund Balance at 31 March**	**-152,078**		

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.

Comprehensive Income and Expenditure Statement Supporting Notes

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.

Comprehensive Income and Expenditure Statement Supporting Notes

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	28,895	2,668	-10,589	**20,974**
People & Communities	20,178	11,681	-26,273	**5,586**
Public Health	0	96	-193	**-97**
Corporate Services & LGSS Managed	1,744	-11,692	7,077	**-2,871**
Commercial & Investment	38,162	1,279	-22,673	**16,768**
LGSS Operational	205	2,024	415	**2,643**
Net Cost of Services	**89,184**	**6,056**	**-52,237**	**43,003**
Other Income and Expenditure	-34,799	0	7,720	**-27,079**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**54,385**	**6,056**	**-44,517**	**15,924**

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.

Comprehensive Income and Expenditure Statement Supporting Notes

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2017/18 £000		2018/19 £000
	Expenditure	
276,592	Employee Benefits Expenses	296,347
607,849	Other Services Expenses	502,670
44,263	Depreciation,amortisation, impairment	50,362
40,898	Interest Payments	44,626
385	Precepts and Levies	9,429
73,550	Loss/(Gain) on the disposal of assets	-7,075
1,043,537	**Total Expenditure**	**896,359**
	Income	
-169,206	Fees, charges and other service income	-99,106
-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	-496,425
-946,805	**Total Income**	**-952,325**
96,732	**(Surplus) or Deficit on the Provision of Services**	**-55,966**

9. OTHER OPERATING 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	-7,075
73,935	**Total**	**-6,684**

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	13,418
-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**	**40,875**

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	-87,005
-402,571	**Total**	**-451,314**

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;

Comprehensive Income and Expenditure Statement Supporting Notes

- 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 £15.147m (£15.129m 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;

- 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.

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.

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**

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**

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:

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
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**	107,594	0	16,183	**123,777**	*74,576*
		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*
		2018-19	42,166	0	9,192	**51,358**	*0*
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**	**1,014,455**	**6,318**	**145,318**	**1,166,091**	*748,005*
Total		**2017-18**	**907,745**	**0**	**156,383**	**1,064,129**	*711,086*

	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 : Greater Cambridgeshire Partnership (R Stoppard)	5	**2018-19**	153,781	0	0	**153,781**	*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 directorshire 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 Assembly also comprising representatives from Cambridge City Council and South Cambs District Council.
6. The LGSS Managing Director is an employe off 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.

Comprehensive Income and Expenditure Statement Supporting Notes

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	120
56	£55,000 - £59,999	56
41	£60,000 - £64,999	34
37	£65,000 - £69,999	28
21	£70,000 - £74,999	22
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		**285**

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

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 Compulsory Redundancies No.	2017-18 Other Departures with Exit Package No.	2017-18 Total Exit Packages No.	2017-18 Total Cost of Exit Packages £000		2018-19 Compulsory Redundancies No.	2018-19 Other Departures with Exit Package No.	2018-19 Total Exit Packages No.	2018-19 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	1	0	1	150
0	0	0	0	£150,001 - £200,000	1	0	1	159
0	0	0	0	£200,001 - £250,000	0	1	1	227
62	**63**	**125**	**2,100**	**Total**	**88**	**72**	**160**	**2,078**

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 9 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.

Comprehensive Income and Expenditure Statement Supporting Notes

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

2017-18				2018-19		
Central Expenditure	Individual Schools Budget (ISB)	Total		Central Expenditure	Individual Schools Budget (ISB)	Total
£000	£000	£000		£000	£000	£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.

Cambridgeshire County Council

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	44,898	0	0	(44,898)
Revaluation losses on Property Plant and Equipment	10,075	0	0	(10,075)
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	(80,190)	0	0	80,190
Revenue Expenditure funded from Capital under Statute	14,114	0	0	(14,114)
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	47,492	0	0	(47,492)
Gain/loss on available for sale financial assets	(37,057)	0	0	37,057
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)	(15,607)	0	0	15,607

Movement In Reserves Statement Supporting Notes

Other Adjustments				
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	14,523	0	0	(14,523)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(22,833)	22,833
Adjustments involving the Capital Receipts Reserve:				
Capital Receipts received in year but not applied	(20,415)	20,415	0	0
Capital Receipts used to fund capital expenditure	(41,731)	0	0	41,731
Adjustments involving the 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	668	0	0	(668)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	47,419	0	0	(47,419)
Employer's pension contributions and direct payments to pensioners payable in the year	(32,499)	0	0	32,499
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 Unequal Pay Back Pay Adjustment Account:				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Reversal of previous capitalisation of Single Status costs	0	0	0	0
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	812	0	0	(812)
Total Adjustments	**(43,488)**	**20,415**	**(22,833)**	**45,905**

Comprehensive Income and Expenditure Statement Supporting Notes

Movements in balances in 2017-18:

2017-18 Comparative Figures	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'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
Adjustments involving the Capital Receipts Reserve:	0	0	0	0
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 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 Unequal Pay Back Pay Adjustment Account:				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Reversal of previous capitalisation of Single Status costs	0	0	0	0
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)**

Cambridgeshire County Council

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 13 and 14 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 14;

- **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:

31-Mar-18 £000		31-Mar-19 £000
539,295	Revaluation reserve	534,065
573,740	Capital adjustment account	650,278
-1,183	Financial instruments adjustment account	-1,851
-507,109	Pensions reserve	-588,127
355	Collection Fund adjustment account	2,011
-4,873	Accumulated absences account	-5,687
21,591	Deferred capital receipts reserve	21,590
621,816		**612,279**

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.

2017-18 £000	Revaluation Reserve	2018-19 £000
517,286	**Balance at 1 April**	**539,295**
0	Opening Balance Adjustment	-26,180
78,988	Upward revaluation of assets	96,258
-27,804	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the Provision of Services	-51,517
568,470	**Surplus or Deficit on Revaluation of Long Term Assets not Posted to the Surplus or Deficit on the Provision of Services**	**557,856**
-6,883	Difference between fair value depreciation and historical cost depreciation	-5,336
-22,292	Accumulated gains on assets sold or scrapped	-18,455
-29,175	**Amount Written Off to the Capital Adjustment Account**	-23,791
539,295	**Balance at 31 March**	**534,065**

Capital Adjustment Account

Movement In Reserves Statement Supporting Notes

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

The Account also contains revaluation gains and losses accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Movement In Reserves Statement Supporting Notes

Cambridgeshire County Council

2017-18 £000	Capital Adjustment Account	2018-19 £000
591,979	**Balance at 1st April**	573,740
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
	Opening Balance Adjustment	26,180
-44,678	Charges for depreciation of impairment of long-term assets	-44,898
-4,795	Revaluation gains reversing previous losses on Property, Plant and Equipment	-10,075
-288	Amortisation of intangible assets	-1,690
-52,861	Revenue expenditure funded from capital under statute	-14,114
-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	-47,492
28,383	Adjusting amounts written out of the Revaluation Reserve	23,791
-150,874	**Net written out amount of the cost of non-current assets consumed in the year**	-68,298
	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	80,190
19,902	Application of grant to capital financing from the capital grants unapplied account	8,310
9,165	Statutory Provision for the financing of capital investments charged to the general fund	15,607
56	Capital expenditure charged against the general fund	2,946
1,634	Movements in the market value of investment properties debited or credited to the Comprehesive Income and Expenditure Statement	-3,948
573,740	**Balance at 31 March**	650,278

Movement In Reserves Statement Supporting Notes

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	Pensions Reserve	2018-19 £000
-509,868	**Balance at 1st April**	**-507,109**
24,378	Re-measurement of net pension liability	-66,099
-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	-47,419
32,694	Employer's pensions contributions and direct payments to pensioners payable in the year	32,499
-507,109	**Balance at 31st March**	**-588,128**

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.

Balance Sheet Supporting Notes

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 of Valuation								
At 1st April 2018	**1,026,296**	**17,840**	**920,982**	**660**	**3,455**	**38,975**	**2,008,208**	**117,777**
Additions	249	1,287	79,285	0	0	39,934	120,755	0
Donations	0	0	0	0	0	0	0	0
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	37,405	0	0	0	-459	0	36,946	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-10,966	0	0	0	-69	0	-11,035	0
De-recognition and Disposals	-35,673	0	-8,729	0	0	0	-44,402	0
Assets reclassified to (-)/from Held for Sale	0	0	0	0	0	-2,550	-2,550	0
Assets reclassified to (-)/from PPE	21,346	0	0	0	0	-21,346	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from Intangible Assets	0	0	0	0	0	-1,394	-1,394	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31st March 2019	**1,038,657**	**19,127**	**991,538**	**660**	**2,927**	**53,619**	**2,106,528**	**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	-13,319	-354	-24,858	0	-16	0	-38,547	-3,498
Depreciation written out of the Revaluation Reserve	7,753	0	0	0	11	0	7,764	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,028	0	0	0	1	0	1,029	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	-1,287	0	0	0	-5,064	-6,351	0
Assets reclassified to (-)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from PPE	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	0	0	0	0
De-recognition and Disposals	751	0	8,729	0	0	0	9,480	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31st March 2019	**-43,124**	**-19,048**	**-158,852**	**0**	**-5**	**-21,465**	**-242,494**	**-57,806**
At 31st March 2019	**995,533**	**79**	**832,686**	**660**	**2,922**	**32,155**	**1,864,034**	**59,971**
At 31st March 2018	**986,960**	**433**	**778,259**	**660**	**3,454**	**22,574**	**1,792,340**	**63,469**

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 of 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	41,748	0	0	-27	242	0	41,963	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-6,625	0	0	0	-71	0	-6,696	0
De-recognition and Disposals	-38,811	0	-8,729	0	0	0	-47,540	0
Assets reclassified to (-)/from Held for Sale	-4,805	0	0	0	0	-2,550	-7,355	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	-1,394	-1,394	0
Other Movements in Cost or Valuation	-20	0	0	0	0	0	-20	0
At 31st March 2018	**1,026,294**	**17,840**	**917,753**	**659**	**5,636**	**77,626**	**2,045,808**	**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	1	0	1,902	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**	**0**	**-16,401**	**-215,867**	**-54,308**
At 31st March 2018	**986,958**	**433**	**775,030**	**659**	**5,636**	**61,225**	**1,829,941**	**63,469**
At 31st March 2017	**974,887**	**1,800**	**733,148**	**686**	**5,441**	**63,192**	**1,779,154**	**67,980**

Balance Sheet Supporting Notes

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
Other		
Ely Archives	Alterations and remodelling	3,374
Total		**67,769**

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. 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 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	Valued at Current Value as at:					
	Historical Cost	2014-15	2015-16	2016-17	2017-18	2018-19	Total
	£000	£000	£000	£000	£000	£000	£000
Land and Buildings	0	81,184	42,691	54,330	51,199	809,253	**1,038,656**
Vehicles, Plant, Furniture and Equipment	1,287	17,840	0	0	0	0	**19,127**
Infrastructure Assets	991,538	0	0	0	0	0	**991,538**
Community Assets	0	40	0	0	620	0	**660**
Surplus Assets	0	0	0	0	0	2,927	**2,927**
Assets Under Construction	53,619	0	0	0	0	0	**53,619**
	1,046,444	**99,064**	**42,691**	**54,330**	**51,819**	**812,180**	**2,106,527**
Assets Held for Sale	0	0	0	0	2,366	864	**3,230**
Investment Properties	0	0	0	0	0	43,466	**43,466**
Total Held at Cost or Revaluation	**1,046,444**	**99,064**	**42,691**	**54,330**	**54,185**	**856,510**	**2,153,223**

Cambridgeshire County Council

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
36,877	Bodies external to central government (i.e. all other bodies)	98,481
20,000	Central government bodies	0
21,589	Long term finance lease receivable	21,588
78,466		**120,069**

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	£0	£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	19,136	19,316
Total cash and cash equivalents	**0**	**0**	**19,136**	**19,316**
Loans and receivables:				
Loans and receivables (excluding prepayments)	78,466	120,069	69,325	123,469
Total receivables	**78,466**	**120,069**	**69,325**	**123,469**
Borrowings:				
Financial liabilities at amortised cost	-351,214	-470,687	-148,522	-130,871
Total borrowings	**-351,214**	**-470,687**	**-148,522**	**-130,871**
Other liabilities:				
Other liabilities	-118,623	-113,793	-96,179	-94,986
Total other liabilities	**-118,623**	**-113,793**	**-96,179**	**-94,986**

Income, Expense, Gains and Losses

	2018-19			
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Through Other Comprehensive Income £000	Total £000
Interest expense	31,308	0	0	**31,308**
Total expense in (Surplus)/ Deficit on the Provision of Services	**31,308**	**0**	**0**	**31,308**
Interest income	0	-1,928	0	**-1,928**
Total income in (Surplus)/ Deficit on the Provision of Services	**0**	**-1,928**	**0**	**-1,928**
Net (gain) / loss for the year	**31,308**	**-1,928**	**0**	**29,380**

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.

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

Balance Sheet Supporting Notes

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:

Balance Sheet Supporting Notes

Fair value hierarchy for financial liabilities

	31-Mar-18		31-Mar-19	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£000	£000	£000	£000
PWLB borrowing	-283,398	-391,618	-457,734	-391,618
Non-PWLB borrowing	-216,338	-275,380	-143,824	-275,380
Short term creditors/payables	-96,179	-96,179	-123,469	-123,469
Short term finance lease & PFI liability	0	0	-4,723	-4,723
Long term finance lease & PFI liability	-118,623	-118,623	-113,793	-113,793
Financial liabilities	**-714,538**	**-881,800**	**-843,543**	**-908,983**

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 £391.618m 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 £283.398m would be valued at £350.016m. 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.

Cambridgeshire County Council

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	19,316	19,349
Debtors	69,325	69,325	74,216	74,216
Long-term debtors	78,466	78,466	115,655	115,655
Total financial assets	**187,071**	**187,071**	**209,187**	**209,220**
Long Term Equity Investments	400	400	410	410
Financial assets through other comprehensive income (FVOCI)	**400**	**400**	**410**	**410**

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.

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	1,507	**2,964**
Assets Held for Sale	361	2,780	**3,141**
Investment Assets	40,168	3,298	**43,466**
Total	**41,987**	**7,584**	**49,571**

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	2,073	5,105	**7,178**
Investment Assets	9,029	72	**9,101**
	15,073	**6,834**	**21,907**

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

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

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

Highest and Best Use

In estimating the fair value of the Council's Surplus Assets, Assets Held for Sale and Investment Properties, the highest and best use is their current use for most of the assets. However, for 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	-	5,969
Transfers out of level 3	-247	-130
Reclasses between PPE, AHFS and Investment Properties	4,125	2,415
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	-1,310
Total gains [or losses] for the period included in Surplus or deficit on revaluation of long-term assets	495	-
Disposals	-	-6,183
Depreciation	-12	-17
Closing Balance	**6,840**	**7,584**

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

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

31-Mar-18 £000		31-Mar-19 £000
42,260	Central government bodies	
17,106	NHS bodies	
40,172	Other local authorities, entities and individuals	
99,538	**Total Short Term Debtors**	**133,152**

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	29,215
24,809	Cash equivalents	0
0	Overdraft	-20,936
39,280	**Total Cash and Cash Equivalents**	**8,279**

29. SHORT TERM CREDITORS

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

31-Mar-18 £000		31-Mar-19 £000
-28,606	Central government bodies	
-4,639	NHS bodies	
-91,246	Other local authorities, entities and individuals	
-124,491	**Total Short Term Creditors**	**-111,730**

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	-588,127
-130	Long term finance lease (non-PFI)	10
-114,493	Long term finance lease (PFI)	-113,803
-625,731		**-701,920**

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	
4,249	S106, CIL and other capital contributions	26,698
21,871	Basic need grant	24,919
3,190	Local Transport Plan funding pasported via Combined Authority	16,641
14,625	Local highways maintenance funding	6,653
629	Growth Deal funding for Kings Dyke	4,941
3,022	School condition grant (formerly known as capital maintenance)	4,072
15,312	Revenue support grant	3,915
4,273	New homes bonus	3,354
1,925	Business Rates compensation grant	3,290
980	Devolved Formula Capital	2,230
3,308	Other grants	7,891
73,384		104,604

Balance Sheet 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
17,113	Learning Disability Partnership (NHS pooled budget contribution)	19,134
15,129	Better Care Fund (NHS pooled budget contribution)	15,417
7,534	Improved Better Care Fund (MHCLG grant)	10,658
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
2,105	Integrated Community Equipment Service (NHS pooled budget contribution)	2,216
2,080	Adult education budget block grant	2,145
26,185	Other contributions	57,127
24,248	Other grants	14,238
371,568		393,325
444,952	**Total**	**497,929**

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).

	2018-19 £000	2017-18 £000
Expenditure funded from capital:		
Property, Plant and Equipment	120,755	99,454
Investment Properties	39,463	0
Intangible Assets	3,951	925
Revenue Expenditure Funded from Capital under Statute	48,195	62,639
Long-term Capital Debtors	60,342	28,170
Sources of finance		
Capital receipts	-41,731	-1,025
Government grants and other contributions	-88,500	-130,533
Sum set aside from revenue:		
Direct revenue contributions	-2,946	-56
MRP/loans fund principal	-15,607	-9,165
	123,922	**50,409**
Explanation of movements in year:		
Increase in underlying need to borowing (unsupported by government financial assistance)	123,922	50,409
	123,922	**50,409**
Closing CFR	875,938	752,015
Diff	**123,923**	**50,409**

33. LEASES

Council as Lessee:

Finance Leases

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

31-Mar-18 £000		31-Mar-19 £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 MLP £000	31-Mar-18 FLL £000		31-Mar-19 MLP £000	31-Mar-19 FLL £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	1,406	1,057
5,590	3,834	Later than 1 year and not later than 5 years	5,585	3,585
162,349	11,849	Later than 5 years	160,955	11,041
169,345	**16,812**	**Total**	**167,946**	**15,683**

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 £000		31-Mar-19 £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.

Balance Sheet Supporting Notes

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	12,055
4,887	Interest payable on the finance lease liability	5,098
-2,034	Repayment of Capital	2,313
2,530	Contingent rents	2,778
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	-2,553	-240
-46,698	Long term finance lease liability	-44,144	2,554
	Reserves		
1,270	Revaluation Reserve	1,199	-71
-33,677	Capital Adjustment Account (Depreciation and Debt Provision)	-32,544	1,133

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	12,681	0	2,553	7,891	**23,125**
Within 2 to 5 years	53,974	10,447	1,302	32,705	**98,428**
Within 6 to 10 years	75,413	7,512	12,097	42,502	**137,524**
Within 11 to 15 years	85,323	5,911	18,222	46,139	**155,595**
Within 16 to 20 years	37,190	297	12,524	17,810	**67,821**
Total	**264,581**	**24,167**	**46,698**	**147,047**	**482,493**

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	-2,313
49,010	**Balance outstanding at end of year**	**46,697**

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

Balance Sheet Supporting Notes

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
44,516	**Balance outstanding at start of year**	43,470
-1,046	Payments during the year	-1,422
43,470	**Balance outstanding at end of year**	**42,048**

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:

Balance Sheet Supporting Notes

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:

Balance Sheet Supporting Notes

	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
30,902	**Balance outstanding at start of year**	**30,283**
-619	Payments during the year	-684
30,283	**Balance outstanding at end of year**	**29,599**

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).

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	481
-11,580	Gain (-) or loss (+) from settlements	-17,200
	Financing and investment income and expenditure:	
13,223	Net interest expense	13,418
54,313	**Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**47,419**
	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)	-59,403
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**	**113,518**
	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	14,920
	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**

Balance Sheet Supporting Notes

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	-1,693,837
1,030,722	Fair value of plan assets	1,105,709
-507,109		**-588,128**

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)	59,403
-4,585	Effect on settlements	-11,010
32,694	Contributions from employer	32,499
8,249	Contributions from employees into the scheme	8,193
-40,264	Benefits paid	-41,578
1,030,722		**1,105,709**

Balance Sheet Supporting Notes

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	40,898
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)	481
-40,264	Benefits paid	-41,578
-16,165	Liabilities extinguished on settlements	-28,210
1,537,831		**1,693,837**

Balance Sheet Supporting Notes

Cambridgeshire County Council

Local Government Pension Scheme assets comprise:

2017-18 £000		2018-19 £000
33,185	Cash and Cash Equivalents	16,829
	Equity instruments (by industry type):	
28,622	Consumer	32,693
18,508	Manufacturing	20,889
22,183	Energy and utilities	25,573
44,419	Financial institutions	42,382
10,934	Health and care	6,658
4,865	Information technology	6,622
162,716		**151,646**
95,605	Private equity	90,263
25,985	Debt securities (bonds) - Government	27,484
	Investment funds and unit trusts:	
570,817	Equities	602,033
103,589	Bonds	105,995
0	Infrastructure	41,387
72,009	Other	86,901
868,006		**954,063**
1,030,722		**1,105,709**

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.

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.

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		Approved limit		31-Mar-19
£000	Debt maturity (lower/upper limits as % of debt)	%		£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.

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher or 1% lower with all other variables held constant, the financial effects over the life of the borrowing would be:

Cambridgeshire County Council

38. 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 3 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 interest has been disclosed that may be significant to the related party as follows:

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%

Other Supporting Notes

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 £8.6m (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 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 £91.2m 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 a net creditor/debtor balance outstanding

39. CONTINGENT LIABILITIES

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

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

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

Guided Busway

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

40. 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.

Storage and preservation

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

Status of acquisitions

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

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

No market valuations are made at time of accession, as the Council does not consider that reliable valuation information can be obtained given the lack of any comparable market values. The vast majority of other historical documents of comparable scope and importance are already held by other county record offices and therefore do not appear on the market. The only recent acquisitions for which the service has definite valuations are those which have been acquired through purchase, or occasionally through donation where a third party has paid for the cost of purchase. Reference is made to recent instances in note 16.

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.

The Cromwell Museum

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

Archaeology and Monuments

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

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

Other Supporting Notes

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

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

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

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

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

Art Collection

The art collection consists of 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 and Supporting Notes

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 Gross Expenditure £000	2017-18 Gross Income £000	2017-18 Net Expenditure/ £000		2018-19 Gross Expenditure £000	2018-19 Gross Income £000	2018-19 Net Expenditure/ Income (-) £000
139,181	-50,826	**88,355**	Place and Economy	108,799	-29,915	**78,884**
699,159	-430,121	**269,038**	People and Communities	651,160	-402,004	**249,156**
27,156	-26,505	**651**	Public Health	26,555	-26,023	**532**
29,458	-4,123	**25,335**	Corporate Services & LGSS Managed	21,892	-8,819	**13,073**
22,461	-18,092	**4,369**	Commercial & Investments	26,193	-16,106	**10,087**
22,059	-10,741	**11,318**	LGSS Operational	21,043	-9,565	**11,478**
939,474	**-540,408**	**399,066**	**Cost Of Services**	**855,642**	**-492,432**	**363,210**
73,935	-	**73,935**	Other operating expenditure	391	-7,075	**-6,684**
40,898	-3,281	**37,617**	Financing and investment income/ expenditure	49,455	-8,580	**40,875**
-	-412,349	**-412,349**	Taxation and Non-Specific Grant Income	0	-451,314	**-451,314**
		98,276	**Surplus (-) or Deficit on Provision of Services**			**-53,913**
		-78,988	Surplus on revaluation of Property, Plant and Equipment			**-10,454**
		27,804	Impairment and revaluation losses charged to the Revaluation Reserve			**15,544**
		-24,378	Re-measurement of net pension benefit/ liability			**66,099**
		-75,562	**Other Comprehensive Income and Expenditure**			**71,190**
		22,714	**Total Comprehensive Income (-) and Expenditure**			**17,277**

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 £000		31-Mar-19 £000
1,792,349	Property, Plant and Equipment	1,864,175
21,214	Heritage Assets	18,660
9,101	Investment Property	43,466
4,781	Intangible Assets	8,298
400	Long Term Investments	10,723
50,296	Long Term Debtors	120,069
1,878,141	**Long Term Assets**	**2,065,391**
0	Short Term Investments	3,125
9,448	Assets Held for Sale	3,231
860	Inventories/WIP	87,488
99,877	Short Term Debtors	55,731
66,138	Cash and Cash Equivalents	31,382
176,323	**Current Assets**	**180,957**

GROUP BALANCE SHEET CONTINUED

31-Mar-18 £000		31-Mar-19 £000
0	Cash and Cash Equivalents	-20,936
-148,522	Short Term Borrowing	-130,871
-125,075	Short Term Creditors	-124,996
-3,715	Provisions	-2,454
-2,928	Capital Grants and Contributions Receipts in Adv	-3,005
-280,240	**Current Liabilities**	**-282,262**
-5,824	Provisions	-6,184
-351,214	Long Term Borrowing	-470,687
-625,731	Other Long Term Liabilities	-701,920
-40,936	Capital Grants and Contributions Receipts in Adv	-52,052
-1,023,705	**Long Term Liabilities**	**-1,230,843**
750,519	**Net Assets**	**733,242**
128,703	Usable Reserves	120,963
621,816	Unusable Reserves	612,279
750,519	**Total Reserves**	**733,242**

GROUP MOVEMENT IN RESERVES STATEMENT

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

	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	-96,731	-	-	**-96,731**	**74,017**	**-22,714**
Adjustments between accounting and funding basis under regulations	88,668	-1,116	-19,896	**67,656**	**-67,656**	**-**
Increase/ decrease (-) in 2017-18	**-8,063**	**-1,116**	**-19,896**	**-29,075**	**6,361**	**-22,714**
Balance at 31-Mar-18	**78,642**	**0**	**50,061**	**128,703**	**621,815**	**750,518**
Movement in 2018-19:						
Total comprehensive income and expenditure	53,913			**53,913**	**-71,190**	**-17,277**
Adjustments between accounting and funding basis under regulations	-59,235	20,415	-22,833	**-61,653**	**61,653**	**0**
Increase/ decrease (-) in 2018-19	**-5,322**	**20,415**	**-22,833**	**-7,740**	**-9,537**	**-17,277**
Balance at 31-Mar-19	**73,320**	**20,415**	**27,228**	**120,963**	**612,278**	**733,241**

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
98,276	**Net deficit on the provision of services**	**-55,967**
-37,331	Depreciation	-37,462
-12,142	Impairment and downward valuations	114,246
-288	Amortisation	3,517
4,374	Increase (-)/ decrease in creditors	12,761
-23,593	Increase/ decrease (-) in debtors	75,217
-64	Increase/ decrease (-) in inventories	-87
-21,619	Movement in pension liability (difference between employer's contributions paid and IAS19 adjustments)	-10,090
-76,635	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-8,770
4,440	Other non-cash items charged to the deficit on the provision of services	900
-162,858	**Adjustments to the net deficit on the provision of services for non-cash movements:**	**150,233**
2,893	Proceeds from the sale of property, plant and equipment	-11,193
58,380	Grants for financing capital expenditure	0
56	Any other items for which the cash effects are investing or financing activities	-2,311
61,329	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**-13,504**
-1,219	**Net cash flows from Operating Activities**	**80,762**
96,644	Purchase of property, plant and equipment	34,509
-3,407	Proceeds from the sale of property, plant and equipment	15,385
-72,089	Capital Grants Received	0
21,148	**Investing Activities**	**49,894**
-300,000	Cash receipts of short and long-term borrowing	-101,822
1,731	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	0
242,162	Repayments of short and long-term borrowing	0
-56,107	**Financing Activities**	**-101,822**
		0
-38,212	**Net increase (-)/ decrease in cash and cash equivalents**	**28,834**
27,926	Cash and cash equivalents at the beginning of the reporting year	39,280
66,138	**Cash and cash equivalents at the end of the reporting year**	**10,446**

www.cambridgeshire.gov.uk

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 33).

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 £000		31-Mar-19 £000
8,707	Bodies external to central government (i.e. all other bodies)	98,480
20,000	Central government bodies	0
21,589	Long term finance lease receivable	21,589
50,296	**Total**	120,069

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	19,136	19,316
	0	0	19,136	19,316
Loans and receivables:				
Loans and receivables (excluding prepayments)	78,466	120,069	69,325	123,469
	78,466	120,069	69,325	123,469
Borrowings:				
Financial liabilities at amortised cost	-351,214	-470,687	-148,522	-130,871
	-351,214	-470,687	-148,522	-130,871
Other liabilities:				
Other liabilities	-118,623	-113,793	-96,179	-94,986
	-118,623	-113,793	-96,179	-94,986

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	31,382
24,809	Cash equivalents	
-	Overdraft	-20,936
66,138	**Total Cash and Cash Equivalents**	**10,446**

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**

Pension Fund and Supporting Notes

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 130 to 165 form part of the financial statements.

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

This page is intentionally left blank for Pension Audit Report

This page is intentionally left blank for Pension Audit Report

This page is intentionally left blank for Pension Audit Report

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 295 (2018: 206) active employers within the Cambridgeshire Pension Fund, including the County Council itself. When separate education establishments coming under a multiple academy trust are counted as a single employer, this totals 363 (2018: 327).

Within Cambridgeshire County Council and Peterborough City Council are a number of Local Education Authority bodies, which if counted separately bring the total number of employers to 521. A full list of employers within the Fund is shown in the Fund's Annual Report. The Fund has over 82,000 individual members, as detailed below:

	31-Mar-18	31-Mar-19
Number of employers with active members	206	295
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 and is shown in note 13 to the accounts.

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 £3.4m (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.

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.

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%.

- **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.

- **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.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no 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**

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 £23k 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

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			Market value 31-Mar-19	
£000	% of net investment assets		£000	% 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 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.

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	460,520	2,163,820	522,295	3,146,635
Loans and receivables	30,736	-	-	30,736
Total financial assets	**491,256**	**2,163,820**	**522,295**	**3,177,371**

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	**435,038**	**1,966,718**	**370,757**	**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 advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 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 advisers 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 advisers, 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 adviser'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.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-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

Exposure to interest rate risk	Asset values at 31-Mar-19 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	**27,593**	27,593	27,593
Cash balances	**4,707**	4,707	4,707
Index-linked securities	**79,206**	79,998	78,414
Fixed interest securities	**296,716**	299,683	293,749
Total change in assets available	**408,222**	**411,981**	**404,463**

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

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 advisers in accordance with the Fund’s risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, 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 adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 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-19 £000	31-Mar-18 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	27,427	31,034
Bank deposit account			
Barclays Bank	A	4,707	42,231
Bank current accounts			
Northern Trust custody accounts	P-1	166	157
Total		**32,300**	**73,422**

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:

a) Financial assumptions

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

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

*Plus an allowance for promotional pay increases.

b) Mortality assumptions

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

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

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

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

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	**(4,820)**
2,958	Fair value of scheme assets (bid value)	**3,187**
(1,309)	**Net liability**	**(1,633)**

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.

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

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

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

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). The Council's Section 151 Officer 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.

Appendix 1 – Accounting Policies

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 110);
- 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 122). 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 as loans or receivables that have fixed or determinable payments but are not quoted in an active market.

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

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

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

GOVERNMENT GRANTS

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

- 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 36.)

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 122). 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 – average of the bid and offer rates
- 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.

Glossary of Terms

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.

Glossary of Terms

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.

Glossary of Terms

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.

This page is intentionally left blank