

**CAMBRIDGESHIRE COUNTY COUNCIL  
DRAFT STATEMENT OF ACCOUNTS  
AND  
ANNUAL GOVERNANCE STATEMENT  
2020-21**

## Contents

KEY NUMBERS .....	6
NARRATIVE REPORT .....	7
INTRODUCTION .....	7
OUR VISION AND AMBITION .....	8
FINANCIAL PERFORMANCE .....	10
KEY PROJECTS AND ACTIVITIES .....	17
THE STATEMENT OF ACCOUNTS .....	25
RISK MANAGEMENT AND ARRANGEMENTS FOR VALUE FOR MONEY .....	28
FUTURE CHALLENGES AND MEDIUM-TERM OUTLOOK .....	29
CONCLUSION .....	31
STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS .....	32
THE COUNCIL'S RESPONSIBILITIES .....	32
THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES .....	32
CERTIFICATE OF ACCOUNTS .....	33
APPROVAL OF ACCOUNTS .....	33
INDEPENDENT AUDITOR'S REPORT .....	34
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT .....	39
MOVEMENT IN RESERVES STATEMENT .....	40
BALANCE SHEET .....	41
CERTIFICATE OF ACCOUNTS .....	41
CASH FLOW STATEMENT .....	42
DISCLOSURE NOTES .....	43

1.	ACCOUNTING POLICIES.....	44
2.	ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED.....	44
3.	CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES .....	44
4.	GOING CONCERN ASSUMPTION.....	46
5.	ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY .....	48
6.	EVENTS AFTER THE BALANCE SHEET DATE .....	51
7.	EXPENDITURE AND FUNDING ANALYSIS .....	52
8.	NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS .....	54
9.	EXPENDITURE AND INCOME ANALYSED BY NATURE .....	56
10.	OTHER OPERATING INCOME AND EXPENDITURE .....	57
11.	FINANCING AND INVESTMENT INCOME AND EXPENDITURE .....	57
12.	TAXATION AND NON-SPECIFIC GRANT INCOMES .....	58
13.	POOLED BUDGETS .....	58
14.	MEMBERS' ALLOWANCES.....	62
15.	OFFICERS' REMUNERATION.....	63
16.	TERMINATION BENEFITS .....	67
17.	EXTERNAL AUDIT COSTS.....	68
18.	DEDICATED SCHOOLS GRANT .....	68
19.	ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS .....	71
20.	TRANSFERS TO / FROM EARMARKED RESERVES.....	75
21.	USABLE RESERVES.....	76
22.	UNUSABLE RESERVES .....	77
23.	PROPERTY, PLANT AND EQUIPMENT .....	82

24. INVESTMENT PROPERTIES .....	87
25. HERITAGE ASSETS .....	88
26. LONG-TERM DEBTORS .....	89
27. FINANCIAL INSTRUMENTS .....	90
28. FAIR VALUE HIERARCHY – TO BE UPDATED .....	95
29. SHORT-TERM DEBTORS .....	99
30. CASH AND CASH EQUIVALENTS .....	99
31. SHORT-TERM CREDITORS .....	100
32. OTHER LONG-TERM LIABILITIES .....	101
33. GRANT INCOME .....	102
34. CAPITAL EXPENDITURE AND CAPITAL FINANCING .....	105
35. LEASES .....	106
36. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS .....	108
37. RETIREMENT BENEFITS .....	116
38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS .....	125
39. RELATED PARTIES .....	130
40. CONTINGENT LIABILITIES .....	134
41. HERITAGE ASSETS: Further Information on the Council’s Collections .....	134
GROUP ACCOUNTS .....	139
PENSION FUND ACCOUNTS .....	140
APPENDIX 1 - ACCOUNTING POLICIES .....	141
GLOSSARY .....	163
ANNUAL GOVERNANCE STATEMENT .....	172

**Narrative Report**

**Page 6**

**Statement of Responsibilities, Certificate  
and Approval of Accounts**

**Page 33**

**Independent Auditor's Report**

**Page 35**

# Narrative Report

## KEY NUMBERS

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

	2019-20 £m	2020-21 £m	Note
<b>Revenue</b>			
Expenditure	1,149.4	1,064.5	Expenditure and Income Analysed by Nature (page 57)
Income *	-912.3	-998.9	Expenditure and Income Analysed by Nature (page 57)
Net	237.1	65.6	
<b>Capital</b>			
Expenditure	292.8	176.7	Narrative Report (pages 14 – 15)
Financing	-292.8	-176.7	Narrative Report (pages 14 – 15)
Net	0.0	0.0	
<b>Total reserves **</b>	530.6	517.4	Movement in Reserves Statement (page 41)

\* total income less £246.0m capital grants and contributions (previous year £71.4m)

\*\* includes usable reserves of £375.5m at 31/03/2021 (previous year £145.0m)

# Narrative Report

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## NARRATIVE REPORT

### INTRODUCTION

This document presents the statutory financial statements for Cambridgeshire County Council (the Council) for the period 1 April 2020 to 31 March 2021 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 2020-21 (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 2021. Although focused on the year reported that ended on 31 March 2021, the narrative statement aims to provide an up-to-date overview of the Council's financial position: this year we have included additional commentary to reflect on the unprecedented and changeable situation caused by Covid-19. In addition, the political leadership of the Council changed following the elections in May 2021 which has implications for the future direction of the Council for 2021-22 and beyond.

# Narrative Report

## OUR VISION AND AMBITION

During 2020-21 we took a whole Council approach to delivering our five priority outcomes across all areas of service provision set out below. This was facilitated by an integrated approach to business planning and service planning which drew input from all areas of the organisation.



## Our Priority Outcomes

Communities at the heart of everything we do

A good quality of life for everyone

Helping our children learn, develop and live life to the full

Cambridgeshire: A well-connected, safe, clean, green environment

Protecting and caring for those who need us



# Narrative Report

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Our priority outcomes are an integral part of the Council's decision-making process. Each proposal impacting budget, investment, or performance is assessed based on its contribution to delivering the priority outcomes.

We reviewed our priority outcomes for 2020-21 to reflect the Council's commitment to establishing community-based models of service delivery and our focus on protecting and caring for the most vulnerable in our county, who have faced the greatest challenges as a result of the Covid-19 pandemic. The Council's response to the pandemic saw the establishment of a Countywide Co-ordination Hub which drew support from all tiers of local government, the voluntary sector and our communities to deliver comprehensive and wide-reaching support to residents. The Council plans to build on these successes by adopting a 'Think Communities' approach to energise the relationships, working arrangements and processes that have helped to support community resilience and sustainability during the pandemic.

We also expanded our priority outcome to reach net zero carbon emissions by 2050 to encompass the wider environmental benefits and improved transport links that will contribute to our vision of making Cambridgeshire a great place to call home. In 2021-22 the Council will invest over £1m to address the causes of flooding and to support improvements in biodiversity. This is in addition to planned investments in a Council owned solar farm, smart energy grids, community heat schemes and decarbonisation of our property estate totalling in excess of £80m.

The Council continued to transform the way it operates during 2020-21, pursuing opportunities to increase digital service delivery and expand place-based partnership working in response to cultural and behavioural shifts as a result of the pandemic. We have already made £118m in savings over the last five years. 2022-23 will require us to find a further £22m, largely due to inflation and demographic pressures. As our resources come under increasing pressure due to demand for services, particularly in response to the coronavirus pandemic, we will continue to progress our plans for transforming how we support our residents.

The Council's Business Plan, approved at the Full Council meeting on 9th February 2021, outlines these priorities in more detail and is available on the [Business Planning pages of our website](#).

Subsequent to the approval of the Council's Business Plan for 2021-22, the political leadership of the Council changed following the elections in May 2021. On 14<sup>th</sup> May 2021, a [Joint Agreement](#) was signed by the Leaders of the Liberal Democrat, Labour and Independent groups. The following week, at the Council's Annual General meeting, a new Joint Administration to lead the work of the Council was agreed.

The Joint Agreement places Covid recovery for all of Cambridgeshire – children and families, local businesses, and working people – and bringing forward targets to tackle the climate emergency, at the top on the new Administration's policy agenda. The agreement also signals a commitment to form strong and positive partnerships as members of the Combined Authority and the Greater Cambridge Partnership in the areas of public health, support for business, climate change, public transport, and building affordable, sustainable homes.

# Narrative Report

## FINANCIAL PERFORMANCE

The financial performance of the Council is monitored by the Strategy and Resources Committee (previously General Purposes Committee) using a monthly Integrated Finance Monitoring Report. You can view the most recent copies of these reports on the [finance and performance page of our website](#).

### Performance against the 2020-21 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 status and direction of travel were reported to the General Purposes Committee) on a quarterly basis up to January 2021. KPI reporting was then put on hold due to the impact of the pandemic.

Achievement of the priorities is within the context of the challenging funding position for local authorities. The Council has become more efficient 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 Council's performance at year end by value and was reported to the Strategy and Resources Committee on 6<sup>th</sup> July 2021.

Revised Net Budget	Area	Measure	Outturn	Year End Position 31/03/2020
£384.1m	Revenue Budget	Variance (£m)	£397.9m	-£6.3m
£205.0m	Capital Programme*	Variance (£m)	£154.5m	-£50.5m
£840.0m	Balance Sheet Health	Net borrowing activity (£m)	£812.6m	-£27.4m

*\* These figures include budget / expenditure funded under the Flexible Use of Capital Receipts direction but do not include budget / expenditure that is under the remit of the Greater Cambridge Partnership.*

The overall revenue budget position was an underspend of -£6.3m; this is -1.5% variance to the year-end budget. This means that the Council's non-earmarked reserves were topped up by £6.3m, which given the scale of the risks and potential pressures the Council has faced, is a favourable outcome enabling some flexibility in the face of the still very considerable uncertainties and risks looking forward.

# Narrative Report

The capital programme variance would also have been below 4% had it not been for four exceptional items within the areas of Commercial & Investment and Corporate Services, with underspends in 2020-21 totalling £42.4m. These relate to:

- Commercial Investment: No commercial property acquisitions were undertaken during 2020-21 due to uncertain market conditions and regulatory implications in relation to borrowing;
- Housing Schemes – lending to This Land (the Council's Housing Investment company) was lower than budgeted due to the company's improved cashflows;
- The Shire Hall relocation, asset review and data centre relocation schemes underspent in-year primarily due to the initial impact of Covid-19 on planned construction works and preparatory works; completion is now expected in late summer-early autumn 2021;
- The planning timetable for North Angle solar farm has been revised due to additional planning requirements pushing delivery of pre-mobilisation works into early 2021-22.

Performance data for the Council was reported to relevant Service Committees and to the General Purposes Committee on a quarterly basis for the first half of 2020-21. However, a number of the key performance indicators had to be put on hold because of the impact of Covid-19 on the Council's activity and in January 2021 performance monitoring was paused as the Council services focussed on the response to the pandemic. At the end of quarter 2, monitoring against the key performance indicators showed, 46% (35) have been given a blue or green rating, outlining confidence that the target has been met or would be delivered, with 18 being amber rated, 18 being red rated, and the remaining 5 not measured due to the impacts of the pandemic.

Outcome area	Blue	Green	Amber	Red	Suspended (C-19)	Grand Total
A good quality of life for everyone	8	3	1	4	3	19
The best start for Cambridgeshire's children	2	6	7	5	2	22
Thriving places for people to live	6	3	6	7	0	22
Corporate indicators not mapped to outcomes	3	4	4	2	0	13
<b>Grand Total</b>	<b>19</b>	<b>16</b>	<b>18</b>	<b>18</b>	<b>5</b>	<b>76</b>
<b>%</b>	<b>25%</b>	<b>21%</b>	<b>24%</b>	<b>24%</b>	<b>7%</b>	<b>100%</b>

Indicators to support priority outcome 4 – Net zero carbon emissions for Cambridgeshire by 2050 remained under development during 2020-21.

# Narrative Report

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The following RAG statuses were being used for other indicators:

- Red – current performance is 10% or more from target
- Amber – current performance is off target by less than 10%
- Green – current performance is on target or better by up to 5%
- Blue – current performance is better than target by more than 5%
- Suspended (C-19) – the calculation of these measures have been temporarily suspended due to Covid, either because the service is not currently operational, or because the data is not being collected to enable resource to be deployed elsewhere

## Revenue spending on Services

The Council's net cost of services for 2020-21 was £426.8m. This figure was £28.9m higher than the net expenditure for the year of £397.9m that was reported to the Strategy and Resources Committee in July 2021. 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 financial challenges facing the Council increased during 2020-21 principally due to the unprecedented impact of the Covid-19 pandemic; the financial and human cost has been substantial. Every council department experienced disruption to its budgetary provision, and in some cases completely different patterns of service demand as well as wholly new activities and initiatives needed to be supported dynamically and at short notice. The scale of additional funding in response has also been significant. The major additional grants received by the Council totalled £63.6m.

While numbers of Children in Care are continuing to decline, there has been a small increase in the number of young people in care with extremely complex needs. There is a shortage of placements for this group of young people, and placement costs have been increasing from an already very high unit cost. The Covid-19 pandemic has also affected the full implementation of Family Safeguarding, with a small number of adult practitioner posts remaining vacant. Family Safeguarding is associated with lower numbers of children in the care system; the full benefit of the model requires all posts to be recruited, and it is therefore possible that overall numbers in care may reduce more slowly than anticipated over coming months.

Similarly to councils nationally, cost pressures have been faced by Adult Services in Cambridgeshire for a number of years, in particular the rising cost of care homes and home care provision due in part to the requirement to ensure compliance with the national living wage, as well as the increasing complexity of needs of people in receipt of care. Adult services generally benchmark as low cost and good outcomes. Despite this, for 2020-21, Adults Services had a balanced starting budget with no un-mitigated pressures carried-forward from the previous year. The pandemic initially led to a significant drop in weekly expenditure on Adult Social Care. This re-bounded somewhat later in the year although the longer-term

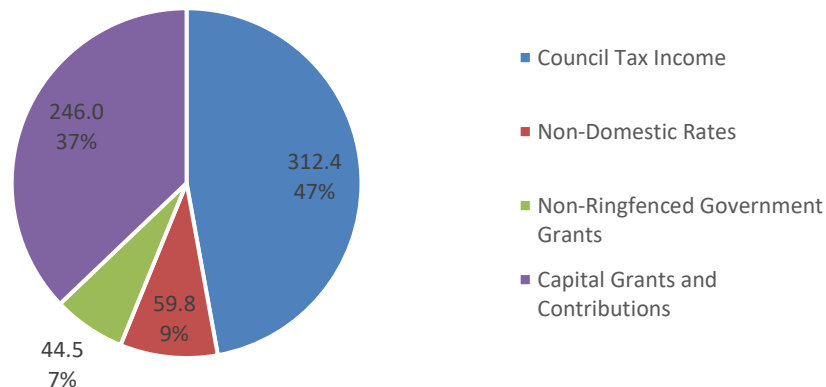
# Narrative Report

impacts on demand in Adults Services and the care market are yet to be fully realised. As restrictions on daily activity persisted during the fourth quarter of the year, the anticipated increase in demand for long term Adult Social Care funded by the Council was not apparent by year end. We do expect significant increase in future, exceeding our pre-pandemic estimate.

Serious pressures have continued to grow on Special Education Needs and High Needs block of the dedicated schools grant, leading to a carried forward deficit of £26.4m. Although that deficit is ring-fenced (at least until 2023) the increase this year is particularly concerning given it now exceeds the balances held elsewhere within dedicated schools grant by individual schools and the limited measures the Council can take to control expenditure in this area. Work continues to mitigate and understand these risks. A small number of authorities have now received a “safety valve” package of additional funding from Department for Education alongside agreeing to mitigating actions locally. The Council is keen to explore this and is in touch with DfE about the local deficit

Despite the scale of the challenge the Council has faced this year, the 2020-21 year-end outturn position was a £6.3m underspend. The Council’s net budget is mainly financed through council tax, business rates and government grant, and totals £662.6m as shown below:

Sources of Revenue Funding £662.6m



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 40).

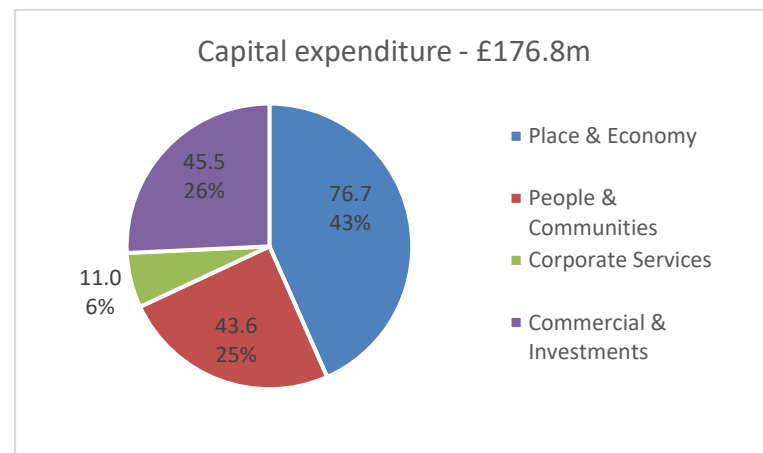
# Narrative Report

## Capital spending and financing

The Council's adjusted capital budget for the year was £201.8m plus £38.0m Greater Cambridge Partnership budget. Actual capital expenditure financed from capital resources for the year was £176.8m, leaving £63.0m of the adjusted capital budget unspent (26%) at the year end. This was largely due to the timing of spending and in most cases does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not been incurred as had been profiled with the business plan. In 2020-21 the key areas where spend varied from planned budgets were Housing Schemes (£12.5m), Commercial Investments (£11.3m) and Shire Hall relocation, asset review and data centre relocation (£13.7m).

The expenditure on Housing Schemes relates to the loans made to This Land, and this reduced level of expenditure reflects the improved cash flows of the company which meant further borrowing from the Council was not needed. The Commercial Investments underspend reflects the decision not to pursue further commercial investment during the uncertain times of the pandemic, and changes in the rules for borrowing from the Public Works Loans Board. The Shire Hall relocation, asset review and data centre relocation schemes underspent in-year primarily due to the initial impact of Covid-19 on planned construction works and preparatory works; completion is now expected in late summer-early autumn 2021. A variations budget is used to account for an expected level of slippage which is inherent within capital projects; this year other than the above schemes there were other smaller in-year delays in the timing of spending beyond the variations budget, in part due to the impact of the Covid-19.

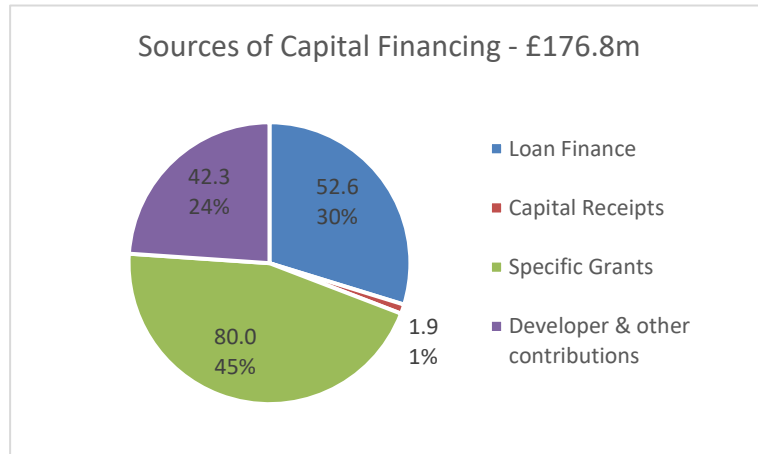
The following chart outlines the £176.8m capital expenditure made during the financial year.



The cost of borrowing has been factored into the 2020-21 debt charges outturn position, as well as being accounted for within the 2021-2026 business planning process.

# Narrative Report

The following chart outlines how the £176.8m capital expenditure was financed this year.



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

The Council received £2.7m of Capital Receipts in year, of which £1.9m was used to fund part of the capital programme.

# Narrative Report

## Reserves

The Council's total reserves have decreased in-year by £13.2m, to £517.4m at 31 March 2021. This balance comprises £375.5m (73%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £141.9m (27%) 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).

A proportion of the Council's usable reserves (the General Fund and Earmarked Reserves) provide the organisation with vital flexibility when faced with uncertainty and risk. At 31 March 2021, these reserves stood at £168.3m. Of this balance, the General Fund comprised £26.1m and reserves earmarked for specific purposes totaled £142.2m, including a £31.5m transformation fund which will be used for proposals to generate savings in future years (£22.4m was uncommitted at 31 March 2021), and £4.8m 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 1 April 2020	97.8
Statutory opening balance adjustment for DSG deficit	16.6
General Fund	8.4
Schools Carry Forwards	3.6
Other Earmarked Reserves	41.9
Balance at 31 March 2021	168.3

## Assets and liabilities

The Council's cash and cash equivalents position increased in the year by £34.9m from £57.7m at 31 March 2020 to £92.6m at 31 March 2021, reflecting an increase in long term borrowing.

During 2020-21, the net assets of the Council and its Balance Sheet value decreased by £13.2m (a 2% reduction), from an opening balance of £530.6m to a closing balance of £517.4m at 31 March 2021. The net decrease was driven by a combination of an increase in liabilities relating to the pension fund and an increase in the amount of borrowing, off-set by an increase in short and long-term debtors (mainly due to the inclusion of a new GCP City Deal grant) and an increase in cash and cash equivalents.



# Narrative Report

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## External borrowing and investment

Total debt outstanding at 31 March 2021 was £811.3m (consisting of £562.8m long-term borrowing and £248.4m short-term borrowing), which was well within the Capital Financing Requirement Limit of £1,093.0m determined in accordance with legislation. Long-term borrowing increased by £24.7m during the year, and short-term borrowing increased by £18.7m.

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

### Covid-19 Impacts

The Covid-19 pandemic significantly impacted service delivery and finances throughout 2020-21 with resources shifted to support residents through the pandemic. Like other local authorities, Cambridgeshire County Council received unprecedented levels of additional funding from Government in response to the pandemic, much of which was passed on to the care sector.

In Adult Social Care the impact has been focussed on working with health and care partners and providers to stabilise the independent care market, which has faced rising costs of personal protective equipment (PPE), high absence levels amongst staff self-isolating, and a reduction in people sourcing their own care. That support involved paying a temporarily enhanced rate for care to support provider resilience and infection control, block purchasing care to create the capacity needed to free up hospital beds, and passing on significant grant funding received from central government for infection control measures. There is a likelihood of significant additional demand pressures heading into 2021-22.

Within Children's Services a number of changes in practice that were needed to respond to the pandemic have brought real benefits; for example virtual drop-ins providing parenting advice have been very popular, and as such the positive learning from this situation will inform future practice. It is likely that there will be a rise in referrals to Children's Services both locally and nationally as the pressures on families increase. There has been significant support to schools and other educational provision during this period and through their re-opening from a range of services.

In relation to the County's investment activities, there was an underachievement of target income from the property portfolio due to loss of rental income, particularly in relation to leisure property and student accommodation. In addition, treasury investments did not provide the anticipated returns due to the economic conditions through the pandemic. These returns are expected to return to pre-pandemic levels in the longer term but are being closely monitored for any ongoing impact in 2021-22.

# Narrative Report

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Within Place and Economy, the impact was mainly felt through reduced income in Parking Operations, particularly in relation to on-street parking and bus lane enforcement. In the Waste Service there was also reduced income from trade waste but also additional covid-related costs. The government grant to mitigate loss of income partly offset the pressures but there was still a significant net residual loss. The parking income is being monitored carefully in 2021-22 to track it as it returns to the pre-pandemic levels.

The large majority of Council staff have worked from home where possible, in accordance with government guidance, benefitting from recent investments by the Council in agile ways of working.

The financial impacts of the pandemic have been monitored using a Covid-19 Financial Consequences Log. Throughout the early stages of the outbreak this was reported on a weekly basis to the Joint Management Team (JMT), alongside business cases and financial challenge. JMT acted as the “gold” strategic coordinating group for the Council’s response to the pandemic. Financial forecasts for the impact of the pandemic are now reported on a monthly basis to Members through the Strategy and Resources Committee (was General Purposes Committee).

## Think Communities and Covid-19 Co-ordination Hub

The Think Communities partnership approach has been developed in collaboration with partners to create a shared vision, approach, and priorities for building community resilience across the county. Our vision is that people feel safe, healthy and connected and able to help themselves and each other, in communities that are integrated and possess a sense of place through a public sector-wide approach where partners listen, engage and align with communities.

Throughout this financial year, the COVID-19 Coordination Hub has continued to operate - providing a holistic and sustainable offer of support to residents and communities across Cambridgeshire. The focus has continued to be on supporting vulnerable groups, but the hub has adapted in response to the pandemic as it evolved and in line with the national roadmap. Supported by redeployed staff it has also helped with the vaccination rollout, coordination of volunteers and supporting families that are facing increased financial hardship because of the pandemic.

In the last year, there has been over 10,000 calls to the hub and it has responded to over 4,500 requests for help, dealt with 4,000 winter support applications and coordinated the delivery of 4,825 food packages. However towards the end of the financial year, funding has been secured through a Covid-19 grant to provide secondment opportunities to staff so the hub can operate with a more sustainable workforce as it continues to support core community elements of the pandemic.

Since the award of transformation funding in September 2020 the Think Communities service has been building its core team and governance to further the join up our work locally. This has meant the Covid-19 Coordination hub were able to signpost to community support on the ground through volunteers and community groups. Particularly in the areas of winter support and vaccination information to combat hesitancy. The

# Narrative Report

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Think Communities Service has been at the heart of the Happy at Home care pilot in East Cambs which will transform services to a more local approach to home care. There has been particular success in ensuring that local groups receive funding to deliver grass roots support to residents through Covid-19 and beyond through the Innovate and Cultivate grants as well as through direct awards to community group and the Community Capital Fund for local organisations. Recruitment to all posts in the new Think Communities service was completed by the end of March enabling practical support for communities to be increased into the new financial year.

## Greater Cambridge Partnership (GCP)

Signed in June 2014, the Greater Cambridge Partnership (GCP) is an arrangement between four local partners: The County Council, Cambridge City Council, South Cambridgeshire District Council and the University of Cambridge.

GCP is the local delivery body for the Greater Cambridge 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. In response to Covid-19 additional training and apprenticeship opportunities have since been created and will continue to be delivered.

It is the largest of several City Deal programmes taking place in the UK and 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. GCP aims to share prosperity and improve quality of life for the people of Greater Cambridge, now and in the future.

The GCP's City Deal is worth up to £500 million in government grant 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 was made available until 2020, and at the start of 2020-21 it was confirmed that the programme had successfully passed the 2020 gateway review which allocated an additional £200m over the period to 2024-25. A further gateway review is due to take place in 2025 which, if successfully passed, will unlock a further £200m of government grant. The GCP will also generate local funding, for example through Section 106 agreements with developers, and explore private funding opportunities. This complements existing capital expenditure plans in the area.

For further details and more information about the individual projects being undertaken by GCP please visit [their website](#).

## This Land Group (Housing Development)

The Council is in the fortunate position of continuing to be a major landowner in Cambridgeshire and has established a company, This Land Ltd, which enables the development of housing on the land it owns rather than a sale for a capital receipt alone. The



# Narrative Report

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Council is the sole shareholder of This Land Limited (and the ultimate parent of its wholly owned subsidiaries).

By the 31 March 2021, the Council had sold twenty-six sites to This Land (with a twenty-seventh acquired by the company from a third party). These are predominantly areas of the county farms estate with development potential as well as several urban sites that are no longer required for operational purposes. The Council advanced additional loans of £27.9m to This Land during 2020-21 to finance construction costs as well as professional fees and development costs required to progress planning permissions. The company repaid £8.5m of maturing loans during 2020-21. At the balance sheet date a total of £115.9m of financing was on-loan to This Land from the Council; across the year interest received on This Land loans was £7.6m. 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 £5.851m in equity shares in This Land, of which £1.9m was invested during 2020-21.

This Land took the commercial decision in 2019-20 to dispose of a number of assets: refocusing on those of an optimum size and position for the company. The Council received This Land's resulting updated business plan in April 2020. By 31<sup>st</sup> March 2021, five disposals had been made and terms for the disposal of further sites have been agreed for the next 12 months. These sales were made against the backdrop of a firm housing market, largely unaffected by the Covid-19 pandemic, thus allowing the company to maximise returns. The proceeds from these disposals have put the cash flow of the company into a position where less borrowing has been needed from the Council than previously anticipated. The Council has considered the financial position and assumptions the company has made looking forward and has engaged external expertise to act as monitoring surveyor for the sites most advanced in terms of construction and to assess current and development values for all of the retained sites. The new joint administration is committed to a review of This Land, including ensuring there are appropriate governance and monitoring mechanisms in place in view of the future risk exposure.

The company has invested in significant numbers of new planning applications across the region during 2020-21 with the majority either having secured a consent or awaiting determination. They have also started on site on a number of schemes including phase 1 of Ditton Walk which is nearing final fit out stage on most units. The majority of units are reserved or exchanged.

This Land's portfolio includes three large sites at Worts Causeway, Burwell and Soham. The plan is to provide infrastructure to open up these sites and then sell on in serviced parcels. The company will also develop the later phases on these sites. Good progress has been made across all three sites with the first phase disposals expected to be completed over the current financial year.

Of the portfolio of homes originally purchased from the Council, 36% of the properties will be delivered as affordable housing either through social renting or shared ownership, which is well in excess of the local planning policy. The former sites at Litlington, Willingham and March are providing a total of 137 new affordable homes. Longer term, This Land will support the delivery of hundreds of affordable homes, either by

# Narrative Report

themselves or through third party developers. A key part of their strategy is to provide housing choice for all. They will also look to deliver additional affordable homes through other means including the government's new First Homes initiative.

This Land is committed to delivering sustainability and has set up a new task group within the business to ensure that the company continues to minimise its impact on the Cambridgeshire environment. The target is that This Land's homes will achieve the highest levels of sustainability in terms of energy savings and the company strives to ensure that they deliver excellence at all times by protecting local habitats, minimising climate change and reducing their carbon footprint by building a local supply chain, resilient design and careful selection of materials.

For further details please visit the [This Land website](#).

## Lower Portland Farm

During January 2021 the Council purchased this property which is an agricultural holding comprising a three-bedroom farmhouse and garden, in addition there is a paddock and a farmyard with ancillary buildings, which are set in 3.08 acres in total, accompanied by 235.46 acres of Grade 2 arable farmland capable of growing wheat, barley, sugar beet and seed potatoes. It adjoins other farmland owned by the Council at Warbraham Mains and Ditch farm.



The land includes a 28-acre field a mile away on Burwell Fen, where the Council has previously sold land to the National Trust.

The farmhouse at Lower Portland Farm is spacious and dates from the early 1900s. The adjoining farmyard includes several traditional farm buildings, some with conversion potential for higher value alternative uses, with the modern buildings useful for crop storage in support of this and the adjacent holding. 68 acres of land at the north end of Heath Road, Burwell.

The acquisition represents an important replenishment of land held as part of the County Farms Estate, further to the Council's powers under the Agriculture Act 1970.

The farm was purchased freehold with vacant possession for £3.35m (in line with market value) with additional fees and Stamp Duty Land Tax the total purchase cost was in the region of £3.69 m. Our assessment is there is promising long term potential for increases in value.

# Narrative Report

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## 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. 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 2020-21 was £28.0m. CPCA has the power to top-slice the grant allocations before passing them on to the County Council however, for 2020-21, 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 2020-21 would have been £9.0m but as the Council continues to provide the services under a delegation agreement with the CPCA there is no cash transferred to the CPCA.

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

Further information can be found on the [Combined Authority's website](#).

## Kings Dyke

The A605 between Whittlesey and Peterborough carries over 14,000 vehicles per day and there are some 120 daily train movements across the level crossing that crosses the road. The resulting closure of the King's Dyke level crossing barrier causes significant delay to traffic. Future plans by the rail industry to increase the number of trains along the route will further increase delays. The situation is exacerbated during the winter months, when local flooding often closes the North Bank, an alternative route between Whittlesey and Peterborough, for long periods of time. Some additional 5,000 vehicles a day displaced by this closure use the level crossing, doubling the average delay per vehicle. The delays have an impact on local businesses and commuters travelling between Whittlesey and Peterborough.

# Narrative Report

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The Kings Dyke scheme is designed to remove these delays and the scheme is strongly supported locally. The available route presents engineering challenges in respect of ground conditions and the close proximity of a deep, disused clay extraction pit, and due to the increase in the previous contract target construction price it was decided in August 2019 to re-procure a new Design and Construction contract. The new contract has now been awarded; the planned completion date is December 2022.

## Cambs 2020

The Cambs 2020 programme will see the Council move its civic headquarters away from Shire Hall in Cambridge, adopting a hub and spoke model for the location of services. This will position a wide range of Council teams closer to the communities they serve, as well as modernising and rationalising the office accommodation estate and generating a significant commercial benefit from vacating Shire Hall to be reinvested into frontline services. The move will also generate a significant capital receipt for the Council.

During 2020-21, construction continued of the Council's new civic headquarters at Alconbury Weald, an £18m capital project, the financial deal for the Shire Hall site was further developed and the spokes refurbishment programme of other Council buildings continued.

## Adults Positive Challenge (APC) Programme

APC is an ambitious programme within Adult Services that is aiming to slow the increasing demand on adult social care services. The APC vision outlines that, by 2023, local people will drive the delivery of care, health and wellbeing in their neighbourhoods, whilst delivering a financially sustainable service. This will enable a neighbourhood approach which supports more people to live independent and fulfilling lives for longer. The programme had a target for delivering financial impact in 2019-20 and 2020-21, which was a mix of savings and cost avoidance each year. Examples of key work in this programme in 2019-20 include an expanded Technology Enabled Care service, a large increase in Reablement capacity, and targeted support for carers. Plans have been kept under review in light of the significant impact of the pandemic in Adult Social Care in 2020-21 and have resulted in work continuing into 2021-22 to deliver the remaining savings.

## Family Safeguarding Model

Cambridgeshire Children's services implemented the Family Safeguarding model at the beginning of the 2020-21 financial year with the assistance of grant funding from the Department for Education. Family Safeguarding is an evidence-based approach to supporting some of the most vulnerable children in the county by helping their parents and carers make sustained changes in their lives.

The model involves the secondment of adult practitioners with relevant expertise. The practitioners work with adults who are struggling with problematic substance or alcohol misuse, are experiencing poor mental or emotional health, or are living in domestically abusive relationships. These issues are having such a serious impact on the wellbeing of the child that the child is at risk of coming into care. Supporting parents to



# Narrative Report

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make these changes enables them to provide the stable, secure and loving homes that their children need, resulting in better outcomes for their child, and reduced expenditure to the Council.

## 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 £491.6m at 31 March 2020 to £708.2m at 31 March 2021. Employer pension contributions of £33.3m were made during 2020-21, with the pension liability increasing by £457.8m (largely as a result of changes to the actuarial financial assumptions), partially offset by the value of the Fund's assets increasing by £241.2m. Overall this has resulted in a £216.6m increase in the deficit amount.

## LGSS Summary

The LGSS shared back office operation with three partners – Milton Keynes Council (MKC), Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) – was ended during 2020-21. Several of the services previously shared within LGSS repatriated to their home councils in September 2020. Other services continue to be shared between the three authorities under a new Lead Authority model which took effect from December 2020. The LGSS arrangements were formally brought to a close at the end of 2020 with the disbanding of the central LGSS support services.

LGSS began in October 2010 with MKC joining as a third Partner from 1 April 2016. LGSS provided a wide range of strategic, professional, operational and transactional services including pensions, procurement, audit, HR, IT and transactional financial services. It was governed by a Joint Committee with the financial transactions of each shareholder council included in the respective council's statutory accounts. Significant savings were delivered for Cambridgeshire as a result of the partnership across the last decade.

LGSS net expenditure for 2020-21, for the part year before the repatriation of services and move to the new Lead Authority model, was £13.9m with a budget for the period of £14.5m, resulting in a £0.5m surplus. The surplus was made up of shared service underspends of £0.8m offset by trading pressures of £0.3m. Cambridgeshire County Council's share of the shared service underspends and trading surpluses was £22k, which has been applied to reserves. There was also a specific pressure for Cambridgeshire County Council of £582k arising from a savings target set in a previous year in excess of the shared service savings agreed for LGSS. This is reflected in the Council's 2020-21 outturn.



# Narrative Report

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## Joint working with Peterborough City Council

The Council has continued to work closely with Peterborough City Council during 2020-21. 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. In total there are over 200 other roles now operating in shared posts, under section 113 arrangements with Peterborough. During the pandemic this has enabled resilience and collaboration between the two Councils in order to best respond to the dynamics of local outbreaks and national regulations, as well as to work in partnership with the NHS and other local emergency services which serve the same geographical footprint. Consideration of joint working arrangements form one aspect of the peer challenge co-inciding with the joint administration taking office.

## 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 on the [Equality and Diversity page of our website](#).

## 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 2021, and to summarise the overall financial position of the Council as at 31 March 2021. 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 2020-21. The various sections, and their contents, are as follows:

### Statement of Responsibilities, Certificate and Approval of Accounts (page 33)

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 Auditor's Report to Members (page 35)

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.

# Narrative Report

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## **Comprehensive Income and Expenditure Statement (CIES) (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 net cost of services for 2020-21 across the Council's directorates was £426.8m. 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 £180.4m.

## **Movement in Reserves Statement (MIRS) (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 increased overall by £53.9m in 2020-21. The balance in the Capital Grants Unapplied Reserve has increased by £160.7m due to the net effects of income received in year, reclassifications and the funding of capital expenditure in 2020-21. The Council's Unusable Reserves have decreased by £227.0m, 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 31 March 2021 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 shown in the table below.

# Narrative Report

Balance Sheet Heading	31 March 2020	31 March 2021	Change	Main Reason for Change
Property, Plant and Equipment	£1,591.3m	£1,604.8m	£13.5m Increase	Additions, off-set by revaluations and disposals
Long-term Investments	£17.6m	£34.3m	£16.7m Increase	Investment in a new investment fund, plus gains in value of investments held
Long-term Debtors	£128.8m	£267.9m	£139.1m Increase	Recognition of GCP City Deal grant
Short-term Debtors	£87.2m	£140.3m	£53.1m Increase	Recognition of GCP City Deal grant
Cash and Cash Equivalents	£57.7m	£92.6m	£34.9m Increase	Short-term increase in liquid holdings
Short-term Borrowing	£230.2m	£248.9m	£18.7m Increase	Funding for the 2020-21 capital programme, taken as short-term borrowing initially to capitalise on availability of historically low interest rates
Long-term Borrowing	£537.7m	£562.4m	£24.7m Increase	Funding for the 2020-21 capital programme
Other Long-term Liabilities	£598.5m	£812.4m	£213.9m Increase	Increase in pension liabilities

## 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 to whom the Council owes money) 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 2020-21 the Council's purchases of property, plant and equipment were £103.5m lower than in 2019-20 (year to 31 March 2021 £112.6m; year to 31 March 2020 £216.1m), and the net cash inflow for receipts and repayments of short and long-term borrowing was £116.9m lower (year to 31 March 2021 -£165.7m; year to 31 March 2020 -£48.8m).

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

## Expenditure and Funding Analysis (page 53)

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 authority, in accordance with generally

# Narrative Report

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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 increase in the General Fund is £53.9m; the net increase to the Council's General Fund Reserve was £8.4m with a £45.5m net increase to earmarked reserves. This differs from the income and expenditure shown in the CIES by £126.5m. 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 7 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 139)

The objective of the Pension Fund financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. The statements show the results of the stewardship of management; the accountability of management for the resources entrusted to it, and of the disposition of its assets at the year end. The Council administers this Fund on behalf of all local authorities in Cambridgeshire, plus a number of other public and voluntary bodies, and commercial organisations. In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019.

## 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 171 sets out the Council's wider approach to risk management.

# Narrative Report

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The corporate risk register is provided to the Strategy and Resources Committee (previously General Purposes Committee) on a regular basis and 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 and has been further updated this year to reflect the ending of LGSS and move to Lead Authority arrangements from December 2020. 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**

The financial outlook for 2021-22 remains extremely constrained. The Coronavirus pandemic has transformed the environment in which local authorities operate with wide ranging repercussions for service provision and the financial resources required to deliver services. The longer-term impacts of COVID are expected to extend considerably into the Medium Term Financial Strategy period. Some of the specific challenges that the Council expects to face over the next five years are:

- Potential for growing regional and more local inequalities as a result of the economic fallout from the pandemic
- Significant losses of fees and charges and precept income are anticipated due to suppressed demand for some services and increases in Council Tax Support
- A number of new responsibilities for local authorities with significant resource implications, such as the provision of personal protective equipment, support to track and trace and outbreak management as well as infection control measures. As yet the extent of Government support for local authorities in funding these new burdens on an ongoing basis remains unclear.
- Providing additional support for our local care markets to ensure sufficient appropriate care provision remains available

However, the shift in attitudes and behaviours resulting from the pandemic is also likely to provide a number of opportunities to adapt service delivery models to reduce costs;

- The introduction of Community Hubs to deliver targeted support for vulnerable people has led to increased collaboration across the wider public sector. The delivery mechanisms established during this period will be further developed through the Council's Think Communities Programme.

# Narrative Report

- A significant increase in agile working has yielded savings on overhead costs for the Council
- A shift towards providing services online, from social worker consultations to music lessons has helped the Council to reduce staff mileage, supporting both the Council's budget position but also our commitment to deliver net zero carbon emissions by 2050

Beyond the pandemic, there is also a great deal of uncertainty surrounding the UK's public finances. In December 2020 the UK secured a post-Brexit trade deal with the EU, however the impacts of the new trading arrangements on economic growth, labour availability, and the cost of goods and services are still unclear and may yet influence levels of resources available to local authorities. In addition to the international uncertainty, there are a number of Central Government consultations currently underway (or paused), most notably those on technical aspects of Fair Funding and the Business Rates Retention Scheme, which are expected to affect the Council's funding, as well as the green paper on the longer term funding of Adult Social Care. Local Authorities had expected these funding reforms to take effect from 2021-22 however Government has confirmed that these will now be deferred until 2022-23 at the earliest.

The Council expects to see an overall increase in funding (excluding schools grants) of 7.2% to 2025-26, primarily due to increases in Council tax assumed within the medium term financial strategy. Nevertheless, inflationary pressures, population growth and increased demand for services are expected to result in additional budget pressures of 19.9% of gross budget over the same period, resulting in a savings requirement of £81m over the next five years. In May 2021, a new joint administration took control of the Council and committed to a thoroughgoing financial review alongside its new policy priorities.

The following table illustrates the size of the challenge that lies ahead (as reflected in the Council's 2021-26 Business Plan):

	2022-23	2023-24	2024-25	2025-26	Total
Unidentified Savings Requirement For The Year	£22.2m	£14.7m	£15.1m	£12.0m	£64.0m

Looking ahead the Council faces a larger savings requirement for upcoming years than it has had to deal with for sometime. Although there is some additional short term flexibility resulting from the underspend in 2020-21 and carried forward grant balances mitigate the pandemic risk to some degree, the need to deal with financial challenges on a recurrent basis is the priority.

## Uncertainties

There is considerable uncertainty surrounding the UK's public finances due to the unprecedented scale of the Government response to Covid-19, the economic fallout from the pandemic and continuing 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 have been postponed and will now be

# Narrative Report

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implemented in 2022-23. The additional funding allocations provided by Government in response to growing social care pressures and the Coronavirus pandemic continue to be based upon the existing funding model and population projections which disadvantage Cambridgeshire as a high-growth county. 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.

## 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 through this unprecedented year, and who have worked hard to close the accounts to a demanding timescale.

Tom Kelly  
Director of Resources and Chief Finance Officer (Section 151 Officer)

## FURTHER INFORMATION

Further information about the Statement of Accounts can be obtained from the [finance and budget pages on the Council's website](#) or by contacting Corporate Finance using the following details:

Address: OCT1114, Shire Hall, Cambridge CB3 0AP  
Telephone: 0345 045 5200  
Email: [finance@cambridgeshire.gov.uk](mailto:finance@cambridgeshire.gov.uk)

# Statement of Responsibilities, Certificate and Approval of Accounts

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## STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

### 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

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## 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 2021 and its income and expenditure for the year 2020-21 and authorise the accounts for issue.

Tom Kelly  
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-2021.

Signed on behalf of  
Cambridgeshire County Council:

Cllr. G. Wilson  
Chair of the Audit and Accounts Committee  
Date:

# Independent Auditor's Report

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## INDEPENDENT AUDITOR'S REPORT

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## **Core Financial Statements**

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**Comprehensive Income and Expenditure Statement** **Page 40**

**Movement in Reserves Statement** **Page 41**

**Balance Sheet** **Page 42**

**Cash Flow Statement** **Page 43**

# Comprehensive Income and Expenditure Statement

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019-20				2020-21		
Gross Expenditure	Gross Income	Net Expenditure (+) / Income (-)		Gross Expenditure	Gross Income	Net Expenditure (+) / Income (-)
£000	£000	£000	Note	£000	£000	£000
106,042	-37,574	68,468		111,093	-36,658	74,435
852,913	-410,261	442,652		760,593	-454,678	305,915
27,659	-27,380	279		34,414	-50,058	-15,644
28,889	-5,682	23,207		58,787	-11,329	47,458
23,613	-12,957	10,656		25,588	-10,732	14,856
17,392	-7,621	9,771		1,994	-2,200	-206
<b>1,056,508</b>	<b>-501,475</b>	<b>555,033</b>	<b>Cost of Services</b>	<b>992,469</b>	<b>-565,655</b>	<b>426,814</b>
36,026	0	36,026	Other operating income and expenditure	22,628	0	22,628
56,867	-14,426	42,441	Financing and investment income and expenditure	49,367	-16,563	32,804
0	-467,736	-467,736	Taxation and non specific grant income	0	-662,662	-662,662
		<b>165,764</b>	<b>Surplus (-) or Deficit (+) on Provision of Services</b>			<b>-180,416</b>
		-18,965	Surplus (-) or deficit (+) on revaluation of property, plant and equipment	22		-33,910
		208,376	Impairment and revaluation loss charged to the revaluation reserve	22		39,321
		768	Surplus (-) or deficit (+) on financial assets measured at fair value through other comprehensive income	27		-419
		-159,751	Remeasurement of net pension benefit/liability	37		188,611
		<b>30,428</b>	<b>Other Comprehensive Income (-) and Expenditure (+)</b>			<b>193,603</b>
		<b>196,192</b>	<b>Total Comprehensive Income (-) and Expenditure (+)</b>			<b>13,187</b>

The purpose of this statement is explained in the Narrative Report (page 25).

# Movement in Reserves Statement

## MOVEMENT IN RESERVES STATEMENT

	General Fund *	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total	Unusable Reserves Total	Reserves Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1-Apr-19</b>	<b>76,918</b>	<b>20,415</b>	<b>27,228</b>	<b>124,561</b>	<b>602,224</b>	<b>726,785</b>
<i>Movement in 2019-20</i>						
Total comprehensive income and expenditure	-165,764	0	0	-165,764	-30,428	-196,192
Adjustments between accounting and funding basis under regulations (note 19)	186,606	-8,783	8,395	186,218	-186,218	0
<b>Increase (+) or decrease (-) in 2019-20</b>	<b>20,842</b>	<b>-8,783</b>	<b>8,395</b>	<b>20,454</b>	<b>-216,646</b>	<b>-196,192</b>
<b>Balance at 31-Mar-20</b>	<b>97,760</b>	<b>11,632</b>	<b>35,623</b>	<b>145,015</b>	<b>385,578</b>	<b>530,593</b>
2020-21 Statutory opening balance adjustment for DSG deficit	16,620	0	0	16,620	-16,620	0
<b>Adjusted Balance at 1-Apr-20</b>	<b>114,380</b>	<b>11,632</b>	<b>35,623</b>	<b>161,635</b>	<b>368,958</b>	<b>530,593</b>
<i>Movement in 2020-21</i>						
Total comprehensive income and expenditure	180,416	0	0	180,416	-193,603	-13,187
Adjustments between accounting and funding basis under regulations (note 19)	-126,511	-771	160,709	33,427	-33,427	0
<b>Increase (+) or decrease (-) in 2020-21</b>	<b>53,905</b>	<b>-771</b>	<b>160,709</b>	<b>213,843</b>	<b>-227,030</b>	<b>-13,187</b>
<b>Balance at 31-Mar-21</b>	<b>168,285</b>	<b>10,861</b>	<b>196,332</b>	<b>375,478</b>	<b>141,928</b>	<b>517,406</b>

\* General Fund balances include earmarked reserves

The purpose of this statement is explained in the Narrative Report (page 26).



# Balance Sheet

## BALANCE SHEET

31-Mar-20			31-Mar-21
£000		Note	£000
1,591,330	Property, plant and equipment	23	1,604,812
19,010	Heritage assets	25	19,012
137,359	Investment property	24	132,836
13,905	Intangible assets		12,614
17,592	Long term investments	25	34,303
128,761	Long term debtors	26	267,868
<b>1,907,957</b>	<b>Long Term Assets</b>		<b>2,071,445</b>
410	Short term investments	27	0
745	Assets held for sale	23	1,282
793	Inventories		731
87,151	Short term debtors	29	141,386
57,715	Cash and cash equivalents	30	92,598
<b>146,814</b>	<b>Current Assets</b>		<b>235,997</b>
-230,172	Short term borrowing	27	-248,872
-116,570	Short term creditors	31	-126,102
-2,317	Provisions		-4,048
-146	Capital grants and contributions received in advance	33	-1,572
<b>-349,205</b>	<b>Current Liabilities</b>		<b>-380,594</b>
-6,670	Provisions		-6,940
-537,695	Long term borrowing	27	-562,407
-598,506	Other long term liabilities	32	-812,439
-32,102	Capital grants and contributions received in advance	33	-27,657
<b>-1,174,973</b>	<b>Long Term Liabilities</b>		<b>-1,409,443</b>
<b>530,593</b>	<b>Net Assets</b>		<b>517,405</b>
145,015	Usable reserves	21	375,479
385,578	Unusable reserves	22	141,926
<b>530,593</b>	<b>Total Reserves</b>		<b>517,405</b>

## 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 2021 and its income and expenditure for the year 2020-21 and authorise the accounts for issue.

Tom Kelly  
Section 151 Officer  
Date:

The purpose of this statement is explained in the Narrative Report (page 26).

# Cash Flow Statement

## CASH FLOW STATEMENT

2019-20 £000		2020-21 £000
<b>165,764</b>	<b>Net Surplus (-) or Deficit (+) on the Provision of Services</b>	<b>-180,416</b>
-39,293	Depreciation	-36,743
-111,321	Impairment and downward valuations	-22,095
-1,396	Amortisation	-2,961
-14,878	Increase(-)/Decrease in Creditors	-24,410
-25,434	Increase/Decrease (-) in Debtors	32,175
-20	Increase/Decrease (-) in Inventories	62
-38,259	Movement in Pension Liability (difference between employer's contributions paid and IAS19 adjustments)	-27,989
-49,150	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-24,873
-15,194	Other non-cash items charged to the deficit on the provision of services	-22,558
<b>-294,945</b>	<b>Adjustments to the net deficit on the provision of services for non-cash movements</b>	<b>-129,392</b>
0	Proceeds from short-term and long-term investments	0
13,531	Proceeds from the sale of property, plant and equipment	2,661
71,373	Grants for financing capital expenditure	243,101
-3,750	Any other items for which the cash effects are investing or financing activities	10,742
<b>81,154</b>	<b>Adjustments for items included in the deficit on the provision of services that are investing and financing activities</b>	<b>256,504</b>
<b>-48,027</b>	<b>Net Cashflows from Operating Activities</b>	<b>-53,304</b>
216,094	Purchase of Property, Plant and Equipment	112,564
115,609	Purchase of short-term and long-term investments	16,420
10,085	Other payments for investing activities	28,251
-110,000	Proceeds from short-term and long-term investments	0
-13,531	Proceeds from the Sale of Property, Plant and Equipment	-2,661
-48,433	Capital Grants Received	-89,816
-15,040	Other receipts from investing activities	-27,011
<b>154,784</b>	<b>Investing Activities</b>	<b>37,747</b>
-438,997	Cash Receipts of short and long-term borrowing	-271,000
4,643	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	4,650
273,327	Repayments of short and long-term borrowing	222,232
18,014	Other payments for financing activities	24,792
<b>-143,013</b>	<b>Financing Activities</b>	<b>-19,326</b>
<b>-36,256</b>	<b>Net Increase (-) or Decrease (+) in cash and cash equivalents</b>	<b>-34,883</b>
21,459	Cash and Cash equivalents at the beginning of the reporting year	57,715
<b>57,715</b>	<b>Cash and Cash equivalents at the end of the reporting year</b>	<b>92,598</b>

The purpose of this statement is explained in the Narrative Report (page 27).

## 03. Notes to the Statements

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### DISCLOSURE NOTES

<b>General Accounting Policies and Judgements</b>	<b>Page 45</b>
<b>Comprehensive Income and Expenditure Statement Supporting Notes</b>	<b>Page 53</b>
<b>Movement in Reserves Statement Supporting Notes</b>	<b>Page 71</b>
<b>Balance Sheet Supporting Notes</b>	<b>Page 82</b>
<b>Other Supporting Notes</b>	<b>Page 130</b>

# General Accounting Policies and Judgements

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## 1. ACCOUNTING POLICIES

For the Accounting Policies refer to Appendix 1.

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

The Code of Practice on Local Government Accounting in the United Kingdom 2020-21 (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 2021-22 Code. The 2021-22 Code has recently been published, and the new standards are not expected to have a material impact on the 2020-21 or 2021-22 Accounts.

The standards that may be relevant for additional disclosures that will be required in the 2020-21 and 2021-22 financial statements in respect of accounting changes that are introduced in the 2021-22 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Amendments to IFRS 3 Business Combinations to update the *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7 as part of *Interest Rate Benchmark Reform*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as part of *Interest Rate Benchmark Reform: Phase 2*

## 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;

# General Accounting Policies and Judgements

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- 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 £19m 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. However, where there is a clear plan in place to use this funding within the stipulated timeframes by means of a funding commitment within the Council’s Business Plan, the conditions are regarded as having been met and the funding is recognised within unapplied contributions. The Council has therefore applied the judgement of there being a condition attached across all Section 106 agreements not included in the Council’s Business Plan, which in 2020-21 results in the derecognition of £4m receipts in advance liability.
- The Council judges that the appropriate accounting treatment for the GCP City Deal funding from Central Government to the Greater Cambridge Partnership (GCP) of £40m per year from 2020-21 to 2025-26 is the recognition of the total funding as a grant in 2020-21, along with of a debtor for £160m (£40m short-term debtor and £120m long-term debtor). To make this judgement the Council considered whether any conditions exist with regard to the eventual receipt of the £200m funding that was notified by Central Government as being receivable

by the Greater Cambridge Partnership (GCP), whether the Council has control of this income and whether expenditure has been incurred that should be supported by the GCP City Deal funding.

The Council concluded that no conditions exist regarding the receipt of the £200m and therefore, in accordance with the CIPFA Code of Practice, the whole £200m due to the GCP should be recognised in 2020-21.

The control of the funding lies with the Executive Board of the GCP, and as such the Council cannot immediately recognise the £200m in its accounts but instead has included a liability for £200m in the 2020-21 accounts. This reflects the fact that actual control of the £200m lies with the GCP. Regarding expenditure incurred on City Deal projects, the Executive Board previously commissioned the Council to deliver the entirety of the programme of work that it has developed for the City Deal funding. As the £200m income has been fully recognised as being owed to the GCP in accordance with the requirements of the Code of Practice, the stated commitment by the GCP to use the Council to fully apply this funding has also been recognised, maintaining consistency of accounting treatment and clarity within the Council's accounts. This therefore removes the £200m liability to the GCP and allows the Council to fully recognise in 2020-21 the full £200m of grant funding that the GCP has committed to the Council in order to undertake the required expenditure.

## 4. GOING CONCERN ASSUMPTION

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

# General Accounting Policies and Judgements

The impact of COVID-19 had substantial implications for the Council's finances. Firstly, the response to the pandemic required additional expenditure to ensure the Council could continue to deliver its statutory responsibilities, especially in Adult Social Care. Secondly, the Council lost income primarily as a result of the restrictions on public and business activity put in place since mid-March 2020. Thirdly, a number of planned service reforms and savings initiatives have inevitably been delayed as a result of the focus on response to and recovery from the pandemic. Finally, COVID-19 is having a significant detrimental impact on the wider economy, with the expectation that there will be a consequent reduction in funding from Council Tax and Business Rates.

The Government sought to address these issues through the provision of non-ringfenced COVID-19 grants. The Council received £63.6 million of such grants in 2020-21, and has received a further £28.7m in 2021-22 to 30<sup>th</sup> June.

Much of the additional Covid related funding was spent during 2020-21, but further work is required in 2021-22 and beyond and unspent Covid funding has been carried forward for this purpose. The impact of the carryforwards of these monies has been to increase the level of earmarked reserves held at 31<sup>st</sup> March 2021. In addition, the Council ended the 2020-21 financial year with an underspend of £6.3m which was transferred to the Council's general reserve. The Councils year-end reserve balances, as reported in these statements and compared to last year end are as follows:

<b>Date</b>	<b>General Fund (£m)</b>	<b>Earmarked Reserves (£m)</b>
31/3/2021	26.1	142.2
31/3/2020	17.8	76.5

The council has carried out an assessment of the impact of COVID-19 on future income and expenditure and is satisfied that there is no material uncertainty relating to the Council's going concern. Through the assessment, increases in expenditure mainly relate to Adult services, in response to demands in the market and an increase in care provision. The Council is supporting care providers with the additional costs for personal protection equipment and staffing, along with additional demand from clients discharged earlier from hospitals.

As at the end of May 2021 the Council is forecasting an overspend for the financial year 2021-22 of just £321k.

# General Accounting Policies and Judgements

The Council is continuing to work on and identify savings and business opportunities to help offset the impact of COVID and other funding/cost pressures as we plan for the 2022-23 financial year and beyond. The Medium Term Financial Plan shows a total of £22 million of unidentified savings in respect of the 2022-23 financial year. We face the additional challenge of increased demand pressures due to Covid-19, significant reduction in fees and charges income and reductions in the local tax base. Furthermore, we are now in an environment where any further efficiencies to be made are minimal. We must therefore focus on transformative change across the Council, capitalising on the opportunities afforded by the pandemic in order to manage cost increases.

The level of general reserves at the end of 2021-22 is forecast at £26.1m which is above the required minimum level set out by the Chief Finance Officer at each year end. For 2022-23 savings or additional income of £22m are being developed to address the budget gap.

Year	Initial Reserves (GF and Earmarked) (£m)	Budget gap/Forecast underspend (£m)	Forecast Reserve position (£m)	Minimum GF balance (£m)
2021/22	26.6	0.4	26.2	19.00

## Liquidity

The Council has undertaken cash flow modelling through to 31 March 2023 which demonstrates the Council's ability to work within its Capital Financing Requirement (CFR) and Cash management framework. Borrowing at 30<sup>th</sup> June 2021 is £186.5 million below the CFR. The Council has cash and short-term investment balances of £113.7 million at 30<sup>th</sup> June 2021 and the ability for additional short-term borrowing under the Treasury Management Policy as set out above. This demonstrates that the Council has sufficient liquidity for a period of 12 months from the date of approval of these financial statements.

## Conclusion

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, through the period to 31 March 2023, based on its cash flow forecasting and the resultant liquidity position of the Council.

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



# General Accounting Policies and Judgements

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 2021 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
<b>Property, Plant and Equipment</b>	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 values all assets not being valued under the rolling programme by either a) a desktop valuation or b) an indexation analysis that assesses when assets were last revalued and applies indices based on Building Cost Information Service forecasts, market indices and land value calculations for every year since the asset was last revalued. The Council also commissions a market review between the valuation date and the balance sheet date and adjusts for any material variances if required.
<b>Fair Value Measurements</b>	<p>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.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.</p>	<p>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.</p> <p>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.</p> <p>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.</p>

# General Accounting Policies and Judgements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in <b>Notes 26 and 27</b> below.	
<b>Pension Liability</b>	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.	<p>The effect on the pension's liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>• 1 year increase in member life expectancy would result in an increase in the liability of approximately 3%-5%;</li> <li>• 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £141m (9%); and</li> <li>• 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £132m (9%).</li> </ul>

# General Accounting Policies and Judgements

## 6. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events occurring after the Balance Sheet date that require disclosure to enable readers to gain a proper understanding of the financial position of the Council up to the date when this Statement of Accounts was authorised for issue by the Chief Finance Officer. A 'non-adjusting' event is indicative of conditions that arose after the Balance Sheet date.

### 'Non-adjusting' Events after The Balance Sheet Date

#### Assets and Loans

This Land repaid one of their loans early in July 2021, reducing the total amount on loan to This Land by £2.0m since the balance sheet date.

#### Covid-19 Grants

The Council has received further grants of £28.7m to contribute to the financial consequences of the Covid-19 pandemic since the balance sheet date. Key amounts within this total are £11.9m of Covid-19 support grant, £4.4m of Local Council Tax Support grant, £3.1m from the Contain Outbreak Management Fund, £3.4m of Infection Control and Testing grant and £2.6m Enduring Transmission Grant.

#### Section 151 Officer

The Deputy Chief Executive and Chief Finance Officer (s151 officer), Chris Malyon, retired from the Council in April 2021. The s151 officer role is now fulfilled by the Director of Resources and Chief Finance Officer, Tom Kelly, from May 2021.

# Comprehensive Income and Expenditure

## Statement Supporting Notes

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### 7. EXPENDITURE AND FUNDING ANALYSIS

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

# Comprehensive Income and Expenditure Statement Supporting Notes

2019-20				2020-21		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
34,572	33,896	68,468	Place & Economy	39,989	34,446	74,435
272,709	169,943	442,652	People & Communities	265,765	40,150	305,915
92	187	279	Public Health	-15,802	158	-15,644
42,774	-19,567	23,207	Corporate Services & LGSS Managed	54,540	-7,082	47,458
6,149	4,507	10,656	Commercial & Investment	10,079	4,777	14,856
4,578	5,193	9,771	LGSS Operational	-52	-154	-206
<b>360,874</b>	<b>194,159</b>	<b>555,033</b>	<b>Net Cost of Services</b>	<b>354,519</b>	<b>72,295</b>	<b>426,814</b>
-381,716	-7,553	-389,269	Other Income and Expenditure	-408,431	-198,799	-607,230
<b>-20,842</b>	<b>186,606</b>	<b>165,764</b>	<b>Surplus (-) or Deficit</b>	<b>-53,912</b>	<b>-126,504</b>	<b>-180,416</b>
-76,919			Opening General Fund Balance at 31 March	-97,761		
0			2020-21 Statutory opening balance adjustment for DSG deficit	-16,620		
-20,842			Plus: Surplus on General Fund Balance In Year	-53,912		
<b>-97,761</b>			<b>Closing General Fund Balance at 31 March</b>	<b>-168,293</b>		

# Comprehensive Income and Expenditure Statement Supporting Notes

## 8. 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	32,749	1,685	12	34,446
People & Communities	31,074	11,479	-2,403	40,150
Public Health	0	149	9	158
Corporate Services & LGSS Managed	-10,011	2,765	164	-7,082
Commercial & Investment	4,385	423	-31	4,777
LGSS Operational	0	0	-154	-154
<b>Net Cost of Services</b>	<b>58,197</b>	<b>16,501</b>	<b>-2,403</b>	<b>72,295</b>
Other Income and Expenditure	-220,457	11,488	10,170	-198,799
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-162,260</b>	<b>27,989</b>	<b>7,767</b>	<b>-126,504</b>

### 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.

# Comprehensive Income and Expenditure

## Statement Supporting Notes

- **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 Non-Domestic Rates (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

### 9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2019-20		2020-21
£000		£000
<b>Expenditure</b>		
313,991	Employee Benefits Expenses	308,885
590,513	Other Services Expenses	621,786
161,521	Depreciation, amortisation, impairment	65,119
47,350	Interest Payments	46,047
407	Precepts and Levies	416
35,619	Loss on the disposal of assets	22,212
<b>1,149,401</b>	<b>Total Expenditure</b>	<b>1,064,465</b>
<b>Income</b>		
-99,628	Fees, charges and other service income	-93,297
0	Gain on the disposal of assets	0
-14,426	Interest and Investment Income	-16,563
-366,079	Income from Council Tax and Non-domestic rates	-372,206
-503,505	Government Grants and Contributions	-762,815
<b>-983,638</b>	<b>Total Income</b>	<b>-1,244,881</b>
<b>165,763</b>	<b>Surplus (-) or Deficit (+) on the Provision of Services</b>	<b>-180,416</b>



# Comprehensive Income and Expenditure

## Statement Supporting Notes

### 10. OTHER OPERATING INCOME AND EXPENDITURE

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

2019-20	2020-21
£000	£000
407 Levies	416
35,619 (Gains)/losses on the disposal of non current assets	22,212
<b>36,026 Total</b>	<b>22,628</b>

### 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2019-20	2020-21
£000	£000
32,341 Interest payable and similar charges	34,559
15,009 Net interest on the net defined benefit liability	11,488
-9,721 Interest receivable and similar income	-9,811
9,512 Income and expenditure in relation to investment properties and changes in their fair value	-3,052
5 Trading accounts	0
-4,705 Other investment income	-380
<b>42,441 Total</b>	<b>32,804</b>

# Comprehensive Income and Expenditure

## Statement Supporting Notes

### 12. TAXATION AND NON-SPECIFIC GRANT INCOMES

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

2019-20 £000	2020-21 £000
-299,012 Council Tax Income	-312,368
-67,067 Non-Domestic Rates	-59,838
-30,284 Non-Ringfenced Government Grants	-44,468
-71,373 Capital Grants and Contributions	-245,988
<b>-467,736 Total</b>	<b>-662,662</b>

### 13. POOLED BUDGETS

#### Better Care Fund

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

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

The partners planned expenditure together through the fund including:

- NHS contributions to older people's and adults' community health services, intermediate care and services for carers;
- Social Care spending on reablement, extra care and a range of other services;
- Additional funding from the NHS for County Council commissioned services in order to protect social care and respond to the Care Act;

# Comprehensive Income and Expenditure

## Statement Supporting Notes

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- 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.

For 2020-21, funding and expenditure relating to Covid-19 hospital discharge schemes were also included in the Better Care Fund in Cambridgeshire. These schemes provided national NHS funding to enable rapid discharges from hospitals into social care where appropriate, with the Council providing a contribution based a baseline of what it would have spent on social care that followed discharges in a more normal year. This makes the pooled budget for 2020-21 larger than the previous year, and we expect this to continue into 2021-22.

The financial results of the Better Care Fund for 2019-20 and 2020-21 are as follows:

# Comprehensive Income and Expenditure

## Statement Supporting Notes

2019-20 £000	Better Care Fund	2020-21 £000
	<b>Funding provided to the pooled budget by:</b>	
	<b>Original BCF:</b>	
-19,193	the Council	-19,795
-38,652	NHS Cambridgeshire and Peterborough CCG	-40,770
<b>-57,845</b>		<b>-60,565</b>
	<b>Covid Discharge Schemes:</b>	
0	the Council	-3,407
0	NHS Cambridgeshire and Peterborough CCG	-9,169
<b>0</b>		<b>-12,576</b>
<b>-57,845</b>	<b>Funding Total</b>	<b>-73,141</b>
	<b>Expenditure met from the pooled budget:</b>	
35,305	the Council	36,790
22,540	NHS Cambridgeshire and Peterborough CCG	23,775
<b>57,845</b>		<b>60,565</b>
	<b>Covid Discharge Schemes:</b>	
0	the Council	12,576
0	NHS Cambridgeshire and Peterborough CCG	0
<b>0</b>		<b>12,576</b>
<b>57,845</b>	<b>Expenditure total</b>	<b>73,141</b>
<b>0</b>	<b>Net Surplus (-) or Deficit (+) on the Pooled Budget</b>	<b>0</b>
<b>0</b>	<b>Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget</b>	<b>0</b>

# Comprehensive Income and Expenditure

## Statement Supporting Notes

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 2020-21 through the original BCF is £17m (£16.1m in 2019-20), and £9.5m for the Covid-19 hospital discharge schemes.

### 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;

2019-20 £000	Integrated Community Equipment Service	2020-21 £000
	<b>Funding provided to the pooled budget by:</b>	
-2,374	the Council	-2,420
-2,242	NHS Cambridgeshire and Peterborough CCG	-2,286
<b>-4,616</b>		<b>-4,706</b>
	<b>Expenditure met from the pooled budget:</b>	
2,374	the Council	2,472
2,242	NHS Cambridgeshire and Peterborough CCG	2,335
<b>4,616</b>		<b>4,807</b>
<b>0</b>	<b>Net Surplus (-) or Deficit (+) on the Pooled Budget</b>	<b>101</b>
<b>0</b>	<b>Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget</b>	<b>52</b>

# Comprehensive Income and Expenditure

## Statement Supporting Notes

- 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.

2019-20 £000	Learning Disability Partnership	2020-21 £000
	<b>Funding provided to the pooled budget by:</b>	
-64,090	the Council	-67,777
-19,109	NHS Cambridgeshire and Peterborough CCG	-20,209
<b>-83,199</b>		<b>-87,986</b>
	<b>Expenditure met from the pooled budget:</b>	
64,955	the Council	68,856
19,367	NHS Cambridgeshire and Peterborough CCG	20,531
<b>84,322</b>		<b>89,387</b>
<b>1,123</b>	<b>Net Surplus (-) or Deficit (+) on the Pooled Budget</b>	<b>1,401</b>
<b>865</b>	<b>Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget</b>	<b>1,079</b>

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.

### 14. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2020-21 were £923,977 (£912,049 in 2019-20) and expenses totalled £1,833 (£39,856 in 2019-20). Mileage expenses reduced significantly in 2020-21 due to the use of virtual meetings as a result of the Covid-19 pandemic.

# Comprehensive Income and Expenditure

## Statement Supporting Notes

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### 15. 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 majority of the senior employee roles are shared with Peterborough City Council under a S113 agreement (see footnotes below the table). Full remuneration is shown for all employees, however Cambridgeshire County Council pays only an agreed proportion for its share of the costs.

The Council's senior employee remuneration for 2020-21 (and 2019-20) is as follows:

# Comprehensive Income and Expenditure

## Statement Supporting Notes

			Salary, Fees & Allowances	Expenses (Taxable) & Benefits in Kind	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
	Note		£000	£000	£000	£000
<b>Chief Executive (G Beasley) *</b>		<b>2020-21</b>	173,596	1,100	29,560	<b>204,256</b>
		<b>2019-20</b>	171,597	0	29,013	<b>200,610</b>
<b>Deputy Chief Executive and Chief Finance Officer (S151 Officer)</b>	<b>1</b>	<b>2020-21</b>	148,178	0	25,931	<b>174,109</b>
		<b>2019-20</b>	144,524	0	25,292	<b>169,816</b>
<b>Executive Director: People and Communities (W Ogle-Welbourn) *</b>		<b>2020-21</b>	153,898	1,100	0	<b>154,998</b>
		<b>2019-20</b>	148,054	0	0	<b>148,054</b>
<b>Service Director: Adults Services #</b>	<b>2</b>	<b>2020-21</b>	134,180	0	23,481	<b>157,661</b>
		<b>2019-20</b>	127,368	0	22,289	<b>149,657</b>
<b>Service Director: Children's Services *</b>	<b>3</b>	<b>2020-21</b>	121,586	0	22,200	<b>143,786</b>
		<b>2019-20</b>	116,741	0	21,357	<b>138,098</b>
<b>Joint Executive Director: Place and Economy (S Cox) #</b> <i>(new role from 03/06/2020, shared with PCC)</i>	<b>4</b>	<b>2020-21</b>	153,599	0	26,880	<b>180,479</b>
		<b>2019-20</b>	120,907	0	21,159	<b>142,066</b>
<b>Executive Director: Place and Economy</b>	<b>5</b>	<b>2020-21</b>	0	0	0	<b>0</b>
		<b>2019-20</b>	22,736	0	3,979	<b>26,715</b>
<b>Director: Customer and Digital Services #</b>		<b>2020-21</b>	117,297	0	20,527	<b>137,824</b>
		<b>2019-20</b>	110,895	0	19,407	<b>130,302</b>
<b>Director: Public Health #</b>		<b>2020-21</b>	109,776	0	16,115	<b>125,891</b>
		<b>2019-20</b>	107,273	0	17,354	<b>124,627</b>
<b>Director: Business Improvement and Development #</b>		<b>2020-21</b>	131,180	0	22,956	<b>154,136</b>
		<b>2019-20</b>	124,368	0	21,764	<b>146,132</b>
<b>Director: Legal and Governance (Monitoring Officer) #</b>	<b>6</b>	<b>2020-21</b>	101,797	0	18,065	<b>119,862</b>
		<b>2019-20</b>	102,849	0	24,253	<b>127,102</b>
<b>Total</b>		<b>2020-21</b>	<b>1,345,087</b>	<b>2,200</b>	<b>205,715</b>	<b>1,553,002</b>
<b>Total</b>		<b>2019-20</b>	<b>1,297,312</b>	<b>0</b>	<b>205,867</b>	<b>1,503,179</b>



# Comprehensive Income and Expenditure

## Statement Supporting Notes

	Note	Salary, Fees & Allowances £000	Expenses (Taxable) & Benefits in Kind £000	Employer Pension Contribution £000	Total Remuneration Including Employer Pension Contributions £000
<b>Chief Executive : Greater Cambridgeshire Partnership (R Stoppard)</b>					
	7 2020-21	170,719	0	0	170,719
	2019-20	166,721	0	0	166,721

\* Post shared under a S113 agreement with Peterborough City Council (**PCC employee**). Full remuneration is shown, however Cambridgeshire only pays an agreed proportion for its share of the costs.

# Post shared under a S113 agreement with Peterborough City Council (**CCC employee**). Full remuneration is shown, however Cambridgeshire only pays an agreed proportion for its share of the costs.

### Notes:

1. The Deputy Chief Executive & Chief Finance Officer was a non-executive director of This Land Limited, a company wholly owned by the Council, until July 2020.
2. The Service Director: Adult Services reported to the Executive Director People & Communities throughout 2019-20. They were designated as the statutory director of adult social services with effect from 01/01/2020, requiring inclusion in this disclosure from this date. Details of their remuneration for the whole of 2019-20 are provided.
3. The Service Director: Children's Services reported to the Executive Director People & Communities throughout 2020-21 and 2019-20. They were designated as the statutory director of children's social care with effect from 04/03/2021, requiring inclusion in this disclosure from this date. Details of their remuneration for the whole of 2020-21 and 2019-20 are provided.
4. The Monitoring Officer responsibilities are fulfilled by the Director of Law and Governance.
5. The Monitoring Officer responsibilities are fulfilled by the Director of Law and Governance. collaboration with ring-fenced funding and separate governance from the Council reporting to an Executive Board also comprising representatives from Cambridge City Council and South Cambs District Council.
6. The Monitoring Officer responsibilities are fulfilled by the Director of Law and Governance.
7. The Monitoring Officer responsibilities are fulfilled by the Director of Law and Governance.
8. The LGSS Managing Director was an employee of Northamptonshire County Council until March 2021 and is disclosed in the Officer's Remuneration note of the NCC Statement of Accounts.

# 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:

No.		No.
116	£50,000 - £54,999	135
67	£55,000 - £59,999	70
39	£60,000 - £64,999	57
27	£65,000 - £69,999	28
29	£70,000 - £74,999	30
11	£75,000 - £79,999	20
4	£80,000 - £84,999	9
4	£85,000 - £89,999	6
3	£90,000 - £94,999	1
3	£95,000 - £99,999	3
0	£105,000 - £109,999	0
1	£110,000 - £114,999	0
1	£115,000 - £119,999	0
2	£120,000 - £124,999	1
1	£135,000 - £139,999	1
1	£140,000 - £144,999	0
<b>309</b>		<b>366</b>

Approximately half of the employees referred to in the above table are employed in Cambridgeshire schools (excluding academies).

# Comprehensive Income and Expenditure

## Statement Supporting Notes

### 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:

2019-20					2020-21				
Other Departures		Total Exit Packages	Total Cost of Exit Packages		Other Departures		Total Exit Packages	Total Cost of Exit Packages	
Compulsory Redundancies	with Exit Package				Compulsory Redundancies	with Exit Package			
No.	No.	No.	£000		No.	No.	No.	£000	
23	46	69	359	£0 - £20,000	31	43	74	371	
1	12	13	362	£20,001 - £40,000	0	1	1	26	
2	1	3	143	£40,001 - £60,000	5	2	7	281	
1	0	1	62	£60,001 - £80,000	1	1	2	141	
1	1	2	191	£80,001 - £100,000	0	0	0	0	
1	0	1	110	£100,001 - £150,000	0	0	0	0	
0	0	0	0	£150,001 - £200,000	0	0	0	0	
0	0	0	0	£200,001 - £250,000	0	0	0	0	
<b>29</b>	<b>60</b>	<b>89</b>	<b>1,227</b>	<b>Total</b>	<b>37</b>	<b>47</b>	<b>84</b>	<b>819</b>	

### 16. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2020-21, incurring costs of £815k (£1.2m in 2019-20). See [Note 15](#) above for the number of exit packages and total cost per band that has been paid during the year.

# Comprehensive Income and Expenditure Statement Supporting Notes

## 17. EXTERNAL AUDIT COSTS

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

2019-20	2020-21
£000	£000
72 Fees payable with regard to external audit services carried out by the appointed auditor	72
50 Additional fees payable with regard to external audit services carried out by the appointed auditor in the prior year	70
<b>122</b>	<b>142</b>

## 18. 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 2020. 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 2019-20 and 2020-21 are as follows:

2019-20			2020-21		
Central Expenditure	Individual Schools Budget (ISB)	Total	Central Expenditure	Individual Schools Budget (ISB)	Total
£000	£000	£000	£000	£000	£000
		463,537			490,299
		-242,529			-263,588
		<b>221,008</b>			<b>226,711</b>
		-7,171			-16,620
		0			0
<b>39,346</b>	<b>174,490</b>	<b>213,837</b>	<b>24,523</b>	<b>185,568</b>	<b>210,091</b>
17	-290	-273	-10	0	-10
<b>39,363</b>	<b>174,200</b>	<b>213,564</b>	<b>24,513</b>	<b>185,568</b>	<b>210,081</b>
-52,948	0	-52,948	-53,863	0	-53,863
0	-177,235	-177,235	0	-182,581	-182,581
0	0	0	0	0	0
<b>-13,585</b>	<b>-3,035</b>	<b>-16,619</b>	<b>-29,350</b>	<b>2,987</b>	<b>-26,363</b>

The final DSG balance to carry forward to 2021-22 is a deficit of £26,363k, compared to the £16,619k deficit brought forward from 2019-20. The increasing deficit is the result of continuing pressures within the High Needs Block of the DSG funding, due to overall numbers, complexity of need and unit costs of funding educational provision for children and young people with additional needs. Where possible any pressures on DSG-funded services, including the brought forward deficit, will be managed from within the available DSG funding for 2021-22. The in-year position is reported to the Schools Forum in the autumn term, and monitored by the Children &

# Comprehensive Income and Expenditure

## Statement Supporting Notes

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Young People's Committee throughout the year, alongside details of the strategies and work streams in place to reduce overall spend on the High Needs Block. MHCLG has made regulations regarding the accounting treatment of DSG deficits, which affect the financial years beginning on 1 April 2020, 1 April 2021 and 1 April 2022. These are the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, SI 2020 No 1212. Local Authorities must charge the amount of the deficit to an unusable reserve established, charged and used solely for the purpose of recognising deficits in respect of its schools budget. The regulations cover a limited period, to provide time for Government and local authorities to look at budgetary and financial management strategies to reduce the deficits.

# Movement In Reserves Statement

## Supporting Notes

### 19. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Movements in balances in 2020-21:

2020-21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments Involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	48,149	0	0	-48,149
Revaluation losses on Property Plant and Equipment	10,689	0	0	-10,689
Movements in the fair value of Investment Properties	3,320	0	0	-3,320
Amortisation of intangible assets	2,961	0	0	-2,961
Capital grant and contributions applied	-72,419	0	0	72,419
Revenue Expenditure funded from Capital under Statute	8,039	0	0	-8,039
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	24,873	0	0	-24,873
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-21,299	0	0	21,299
Capital expenditure charged against the general fund balance	-1,660	0	0	1,660
<b>Other Adjustments</b>				
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-173,570	0	173,570	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-12,861	12,861

# Movement In Reserves Statement

## Supporting Notes

2020-21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Capital Receipts received in year but not applied	-2,661	2,661	0	0
Capital Receipts used to fund capital expenditure	38	-1,900	0	1,862
Flexible use of capital receipts	1,532	-1,532	0	
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Finance lease deferred capital receipt adjustment	0	0	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
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
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	61,263	0	0	-61,263
Employer's pension contributions and direct payments to pensioners payable in the year	-33,274	0	0	33,274
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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	10,217	0	0	-10,217
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>				
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
<b>Adjustment involving the Dedicated Schools Grant Adjustment Account:</b>				
Amount of which the accumulated Dedicated Schools Grant deficit charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements	9,742	0	0	-9,742
<b>Adjustment involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-2,404	0	0	2,404
<b>Total Adjustments</b>	<b>-126,511</b>	<b>-771</b>	<b>160,709</b>	<b>-33,427</b>



# Movement In Reserves Statement

## Supporting Notes

Movements in balances in 2019-20:

2019-20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments Involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	47,469	0	0	-47,469
Revaluation losses on Property Plant and Equipment	103,144	0	0	-103,144
Movements in the fair value of Investment Properties	9,512	0	0	-9,512
Amortisation of intangible assets	1,396	0	0	-1,396
Capital grant and contributions applied	-34,011	0	0	34,011
Revenue Expenditure funded from Capital under Statute	34,320	0	0	-34,320
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	49,150	0	0	-49,150
Gain/loss on available for sale financial assets	0	0	0	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-18,600	0	0	18,600
Capital Expenditure charged against the General Fund	-1,619	0	0	1,619
<b>Other Adjustments</b>				
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-37,363	0	37,363	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-28,968	28,968

# Movement In Reserves Statement

## Supporting Notes

2019-20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Capital Receipts received in year but not applied	0	0	0	0
Capital Receipts used to fund capital expenditure	-13,456	-6,150	0	19,606
Flexible use of capital receipts	2,633	-2,633	0	
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Capital Receipts achieved in year but not received	1	0	0	-1
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
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
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	71,281	0	0	-71,281
Employer's pension contributions and direct payments to pensioners payable in the year	-33,022	0	0	33,022
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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	3,730	0	0	-3,730
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>				
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
<b>Adjustment involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,088	0	0	-2,088
<b>Total Adjustments</b>	<b>186,606</b>	<b>-8,783</b>	<b>8,395</b>	<b>-186,218</b>

# Movement In Reserves Statement

## Supporting Notes

### 20. 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-19	Transfers Out 2019-20	Transfers In 2019-20	Balance at 31-Mar-20	DSG deficit transfer	Transfers Out 2020-21	Transfers In 2020-21	Balance at 31-Mar-21
	£000	£000	£000	£000	£000	£000	£000	£000
Carry forward - schools	6,878	-9,311	2,433	0	13,472	-2,042	5,597	17,027
Carry forward - other	1,889	-804	4,997	6,082	0	-6,341	20,646	20,387
Insurance reserve	4,060	-3,315	3,420	4,165	0	-1,628	2,294	4,831
Transformation reserve	25,348	-6,344	6,432	25,436	0	-2,697	8,758	31,497
Other earmarked reserves	25,889	-10,610	29,128	44,407	3,148	-12,736	33,623	68,442
<b>Total</b>	<b>64,064</b>	<b>-30,384</b>	<b>46,410</b>	<b>80,090</b>	<b>16,620</b>	<b>-25,444</b>	<b>70,918</b>	<b>142,184</b>

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 a major programme of reform, investment and savings across the medium-term.

The schools reserve listed above traditionally 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 2021-22. The accumulated high needs deficit that is ringfenced as part of the Dedicated Schools Grant is no longer accumulated into Earmarked Reserves and has been transferred to Unsuable Reserves (see Note 22).

# Movement In Reserves Statement

## Supporting Notes

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### 21. USABLE RESERVES

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

The Council's usable reserves are as follows:

- **General Fund** – the main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met. The General Fund cushions the impact of uneven cash flows and also acts as a contingency that can be used in year in the event of unexpected emergencies or unforeseen spending;
- **Earmarked Reserves** – these are resources set aside for a specific purpose. The Council's earmarked reserves include balances to cover future pressures, insurance claims and general contingencies held by schools within advisory limits. This includes a Transformation reserve which has been set up to finance projects that will reduce the Council's operating costs. Further analysis of earmarked reserves is shown within **Note 20**;
- **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 41).

# Movement In Reserves Statement

## Supporting Notes

### 22. UNUSABLE RESERVES

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

31-Mar-20		31-Mar-21
£000		£000
322,650	Revaluation Reserve	312,628
545,048	Capital Adjustment Account	561,730
-2,572	Financial Instruments Adjustment Account	-1,042
0	Financial Instruments Revaluation Reserve	-1,063
-491,615	Pensions Reserve	-708,215
-1,748	Collection Fund Adjustment Account	-11,965
-7,775	Accumulated Absences Account	-5,371
0	Dedicated Schools Grant Adjustment Account	-26,362
21,589	Deferred Capital Receipts Reserve	21,588
<b>385,577</b>		<b>141,928</b>

#### 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.

# Movement In Reserves Statement

## Supporting Notes

2019-20		2020-21
£000		£000
<b>539,129</b>	<b>Balance at 1 April</b>	<b>322,650</b>
18,965	Upward revaluation of assets	33,910
-208,376	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the Provision of Services	-39,321
<b>349,718</b>	<b>Surplus or Deficit on Revaluation of Long Term Assets not Posted to the Surplus or Deficit on the Provision of Services</b>	<b>317,239</b>
-5,288	Difference between fair value depreciation and historical cost depreciation	-2,641
-21,780	Accumulated gains on assets sold or scrapped	-1,970
<b>-27,068</b>	<b>Amount Written Off to the Capital Adjustment Account</b>	<b>-4,611</b>
<b>322,650</b>	<b>Balance at 31 March</b>	<b>312,628</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets (such as buildings and roads) and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement, via charges for depreciation, impairment losses and amortisations which are initially debited to the Comprehensive Income and Expenditure Statement. These are then transferred in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account. Reconciling postings from the Revaluation Reserve converts 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 19** 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

2019-20		2020-21
£000		£000
<b>660,167</b>	<b>Balance at 1st April</b>	<b>545,047</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	
-47,470	Charges for depreciation of impairment of long-term assets	-48,149
-103,144	Revaluation gains reversing previous losses on Property, Plant and Equipment	-10,689
-1,396	Amortisation of intangible assets	-2,961
-34,320	Revenue expenditure funded from capital under statute	-8,039
-49,150	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	-24,874
27,068	Adjusting amounts written out of the Revaluation Reserve	4,611
<b>-208,412</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>-90,101</b>
	<b>Capital financing applied in the year</b>	
19,606	Use of the capital receipts reserve to finance new capital expenditure	1,863
34,011	Capital Grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	72,418
28,968	Application of grant to capital financing from the capital grants unapplied account	12,861
18,600	Statutory Provision for the financing of capital investments charged to the general fund	21,299
1,619	Capital expenditure charged against the general fund	1,660
-9,512	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	-3,320
<b>545,047</b>	<b>Balance at 31 March</b>	<b>561,727</b>

# 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.

2019-20		2020-21
£000		£000
<b>-613,107</b>	<b>Balance at 1st April</b>	<b>-491,615</b>
159,751	Re-measurement of net pension liability	-188,611
-71,281	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	-61,263
33,022	Employer's pensions contributions and direct payments to pensioners payable in the year	33,274
<b>-491,615</b>	<b>Balance at 31st March</b>	<b>-708,215</b>

### 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.



# Movement In Reserves Statement

## Supporting Notes

2019-20	2020-21
£000	£000
<b>21,590 Balance at 1 April</b>	<b>21,589</b>
-1 Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
<b>21,589 Balance at 31 March</b>	<b>21,589</b>

### Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account holds the accumulated high needs deficit that is ringfenced as part of the Dedicated Schools Grant. As set out above in Note 18 (DSG), the carried forward deficit in this area has increased to £26.4m by 31 March 2021, an increase of £9.7m from 31 March 2020 (where this was included within the Useable Reserves balance).

# Balance Sheet Supporting Notes

## 23. PROPERTY, PLANT AND EQUIPMENT

Movements in balances in 2020-21

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
<b>At 1st April 2020</b>	<b>742,763</b>	<b>23,947</b>	<b>1,037,350</b>	<b>635</b>	<b>2,803</b>	<b>38,713</b>	<b>1,846,211</b>	<b>117,777</b>
Additions	5,383	7,626	74,853	0	0	14,077	101,939	0
Donations	0	0	0	0	0	0	0	0
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-14,626	0	0	2,109	190	0	-12,327	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-13,242	0	0	0	38	0	-13,204	0
De-recognition and Disposals	-24,942	0	-16,343	0	-32	0	-41,317	0
Assets reclassified to (-)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from PPE	5,016	0	0	0	0	-5,016	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	653	0	653	0
Assets reclassified to (-)/from Intangible Assets	0	0	0	0	0	0	0	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
<b>At 31st March 2021</b>	<b>700,352</b>	<b>31,573</b>	<b>1,095,860</b>	<b>2,744</b>	<b>3,652</b>	<b>47,774</b>	<b>1,881,955</b>	<b>117,777</b>
Accumulated Depreciation and Impairment								
<b>At 1st April 2020</b>	<b>-33,039</b>	<b>-23,890</b>	<b>-173,133</b>	<b>0</b>	<b>-3</b>	<b>-24,822</b>	<b>-254,887</b>	<b>-60,971</b>
Depreciation Charge	-9,004	-22	-27,711	0	-6	0	-36,743	-3,165
Depreciation written out of the Revaluation Reserve	6,923	0	0	0	5	0	6,928	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,515	0	0	0	0	0	2,515	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	-7,626	0	0	0	-3,780	-11,406	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	99	0	16,343	0	1	0	16,443	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
<b>At 31st March 2021</b>	<b>-32,506</b>	<b>-31,538</b>	<b>-184,501</b>	<b>0</b>	<b>-3</b>	<b>-28,602</b>	<b>-277,150</b>	<b>-64,136</b>
<b>At 31st March 2021</b>	<b>667,846</b>	<b>35</b>	<b>911,359</b>	<b>2,744</b>	<b>3,649</b>	<b>19,172</b>	<b>1,604,805</b>	<b>53,641</b>
<b>At 31st March 2020</b>	<b>709,724</b>	<b>57</b>	<b>864,217</b>	<b>635</b>	<b>2,800</b>	<b>13,891</b>	<b>1,591,324</b>	<b>56,806</b>

# Balance Sheet Supporting Notes

## Movements in balances in 2019-20

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
<b>At 1st April 2019</b>	<b>1,052,105</b>	<b>19,127</b>	<b>991,538</b>	<b>659</b>	<b>2,926</b>	<b>44,797</b>	<b>2,111,152</b>	<b>117,777</b>
Additions	25,161	4,820	57,885	0	0	12,810	100,676	0
Donations	0	0	0	0	0	0	0	0
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-199,078	0	0	-24	-241	0	-199,343	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-107,420	0	0	0	144	0	-107,276	0
De-recognition and Disposals	-35,640	0	-12,073	0	-26	-12,591	-60,330	0
Assets reclassified to (-)/from Held for Sale	1,332	0	0	0	0	0	1,332	0
Assets reclassified to (-)/from PPE	6,303	0	0	0	0	-6,303	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	0	0	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
<b>At 31st March 2020</b>	<b>742,763</b>	<b>23,947</b>	<b>1,037,350</b>	<b>635</b>	<b>2,803</b>	<b>38,713</b>	<b>1,846,211</b>	<b>117,777</b>
Accumulated Depreciation and Impairment								
<b>At 1st April 2019</b>	<b>-34,088</b>	<b>-19,048</b>	<b>-158,852</b>	<b>0</b>	<b>-5</b>	<b>-21,465</b>	<b>-233,458</b>	<b>-57,806</b>
Depreciation Charge	-12,910	-22	-26,354	0	-12	0	-39,298	-3,165
Depreciation written out of the Revaluation Reserve	9,777	0	0	0	8	0	9,785	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,001	0	0	0	6	0	4,007	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	-4,820	0	0	0	-3,357	-8,177	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	181	0	12,073	0	0	0	12,254	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
<b>At 31st March 2020</b>	<b>-33,039</b>	<b>-23,890</b>	<b>-173,133</b>	<b>0</b>	<b>-3</b>	<b>-24,822</b>	<b>-254,887</b>	<b>-60,971</b>
<b>At 31st March 2020</b>	<b>709,724</b>	<b>57</b>	<b>864,217</b>	<b>635</b>	<b>2,800</b>	<b>13,891</b>	<b>1,591,324</b>	<b>56,806</b>
<b>At 31st March 2019</b>	<b>1,018,017</b>	<b>79</b>	<b>832,686</b>	<b>659</b>	<b>2,921</b>	<b>23,332</b>	<b>1,877,694</b>	<b>59,971</b>

# Balance Sheet Supporting Notes

## Capital commitments

At 31 March 2021 the Council has entered into a number of new significant contracts for the construction or enhancement of Property, Plant and Equipment in 2021-22 and future years, budgeted to cost £1,033m. The figures included within the table below represent the full contract value, not just the commitment.

Contracts with major commitments are:

<b>Expenditure approved and contracted</b>		<b>31-Mar-21 £000</b>
<b>Schools</b>		
Wyton Primary	Expansion of provision	9,157
Sawston Primary	New construction	2,020
Waterbeach Primary School	New construction	6,566
WING Development - Cambridge	New construction	9,668
North West Fringe secondary	New construction	20,518
School Condition, Maintenance & Suitability	Building, Mechanical and Electrical Services	24,456
Temporary Accommodation	Supply, delivery and erection of new modular 4, 5 and 7 bay mobile classroom buildings for use as school accommodation	4,160
<b>Highways</b>		
Smarter Travel Management - Real Time Bus Information	Providing a system to link new and existing RTPI displays, proving bus passenger information, traffic light priority and a range of third-party links and digital outputs.	4,500
Highways Contract	To cover structural work, surfacing, road works and capital schemes for highways	905,159
Greater Cambridge Partnership schemes	Various schemes	6,407
Safety Schemes		1,217
King's Dyke		18,426
<b>Building Maintenance</b>		
Shire Hall Relocation	Construction of a new Civic Hub building	145
Building Maintenance	Building, Mechanical and Electrical Services	5,000
<b>IT</b>		
Children's Services IT System		1,176
EastNet (CPSN Replacement)		14,300
<b>Total</b>		<b>1,032,875</b>

# Balance Sheet Supporting Notes

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## Capitalisation of Borrowing Costs

In accordance with the Council's accounting policy, the Council capitalised £1,232k of borrowing costs in year in relation to qualifying assets (£1,736k in 2019-20). This was calculated using the Council's average borrowing rate of between 2.4% and 2.6% for the 4 quarters of 2020-21.

## 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, all assets are revalued via desktop valuation in year two and by indexation in years three to five. For 2020-21, the valuations were carried out externally by Royal Institution of Chartered Surveyors (RICS) registered valuers, Bruton Knowles 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, desktop valuations and all Surplus assets is 30 November 2020.

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).

# Balance Sheet Supporting Notes

## Valuation of long-term assets

	Carried at Historical Cost £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	Total £000
Land and Buildings	0	64,109	20,423	16,084	246,830	352,906	700,352
Vehicles, Plant, Furniture and Equipment	31,572	0	0	0	0	1	31,573
Infrastructure Assets	1,095,860	0	0	0	0	0	1,095,860
Community Assets	0	0	620	0	0	2,124	2,744
Surplus Assets	0	0	0	28	0	3,624	3,652
Assets Under Construction	47,774	0	0	0	0	0	47,774
	<b>1,175,206</b>	<b>64,109</b>	<b>21,043</b>	<b>16,112</b>	<b>246,830</b>	<b>358,655</b>	<b>1,881,955</b>
Assets Held for Sale	0	0	284	89	0	909	1,282
Investment Properties	0	0	0	0	36,240	96,596	132,836
<b>Total Held at Cost or Revaluation</b>	<b>1,175,206</b>	<b>64,109</b>	<b>21,327</b>	<b>16,201</b>	<b>283,070</b>	<b>456,160</b>	<b>2,016,073</b>

# Balance Sheet Supporting Notes

## 24. INVESTMENT PROPERTIES

The following items of income have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

2019-20		2020-21
£000		£000
-4,705	Rental income from investment property	-6,372
<b>-4,705</b>	<b>Total</b>	<b>-6,372</b>

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

The following table summarises the movement in the fair value of investment properties over the year:

2019-20		2020-21
£000		£000
43,466	Balance Outstanding at Start of Year	137,359
103,405	Additions (purchases)	0
0	Disposals	0
-9,512	Net Gains (+)/Losses (-) from Fair value adjustments	-3,320
0	Transfers to/from PPE	-1,203
<b>137,359</b>	<b>Balance outstanding at year end</b>	<b>132,836</b>

# Balance Sheet Supporting Notes

## 25. HERITAGE ASSETS

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

	Archives	Art Collection	Total Assets
Valuation or Cost	£000	£000	£000
<b>01-Apr-19</b>	<b>18,649</b>	<b>11</b>	<b>18,660</b>
Additions during 2019-20	0	0	0
Disposals during 2019-20	0	0	0
Revaluations during 2019-20	350	0	350
<b>31-Mar-20</b>	<b>18,999</b>	<b>11</b>	<b>19,010</b>
Additions during 2020-21	1	0	1
Disposals during 2020-21	0	0	0
Revaluations during 2020-21	0	0	0
<b>31-Mar-21</b>	<b>19,000</b>	<b>11</b>	<b>19,011</b>

The Council's collections of archives and art are valued in the Balance Sheet at insurance valuation. The most recent valuation of archives was carried out by Bonhams on 13th March 2020. These valuations are repeated periodically. The Council has considered the collections during 2020-21 for possible impairments and does not believe it is economic to conduct revaluations on a more frequent basis.



# Balance Sheet Supporting Notes

## 26. LONG-TERM DEBTORS

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

<b>2019-20</b>	<b>2020-21</b>
<b>£000</b>	<b>£000</b>
0 City Deal Funding	120,000
96,512 This Land Group	115,891
21,587 Long term finance lease receivable	21,586
10,662 Other	10,391
<b>128,761</b>	<b>267,868</b>

# Balance Sheet Supporting Notes

## 27. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long-term		Current	
	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000
<b>Investments:</b>				
Financial assets through other comprehensive income	13,146	27,937	0	0
Financial assets at amortised cost	4,446	6,366	410	0
<b>Total investments</b>	<b>17,592</b>	<b>34,303</b>	<b>410</b>	<b>0</b>
<b>Cash and cash equivalents:</b>				
Cash and cash equivalents	0	0	57,715	92,598
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>57,715</b>	<b>92,598</b>
<b>Debtors:</b>				
Financial assets at amortised cost	128,761	267,868	76,753	125,617
<b>Total debtors</b>	<b>128,761</b>	<b>267,868</b>	<b>76,753</b>	<b>125,617</b>
<b>Borrowings:</b>				
Financial liabilities at amortised cost	-537,695	-562,407	-230,172	-248,872
<b>Total borrowings</b>	<b>-537,695</b>	<b>-562,407</b>	<b>-230,172</b>	<b>-248,872</b>
<b>Other liabilities:</b>				
Other liabilities	-106,891	-104,224	-94,476	-111,622
<b>Total other liabilities</b>	<b>-106,891</b>	<b>-104,224</b>	<b>-94,476</b>	<b>-111,622</b>

# Balance Sheet Supporting Notes

## Income, Expense, Gains and Losses

	2020-21			
	Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	Financial Assets: Through Other Comprehensive Income £000	Total £000
Interest expense	34,559	0	0	34,559
<b>Total expense in (Surplus)/ Deficit on the Provision of Services</b>	<b>34,559</b>	<b>0</b>	<b>0</b>	<b>34,559</b>
Interest income	0	-9,811	0	-9,811
<b>Total income in (Surplus)/ Deficit on the Provision of Services</b>	<b>0</b>	<b>-9,811</b>	<b>0</b>	<b>-9,811</b>
Net gains(-)/losses(+)	0	0	-419	-419
<b>Total income and expenditure in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>-419</b>	<b>-419</b>
<b>Net (gain) / loss for the year</b>	<b>34,559</b>	<b>-9,811</b>	<b>-419</b>	<b>24,329</b>

## 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.

# Balance Sheet Supporting Notes

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

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

Except for the financial assets carried at fair value, all other financial assets and financial liabilities are carried on the balance sheet at amortised cost. The fair value for financial assets and financial liabilities that are not measured at 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 to provide an estimate of the value of payments in the future in today's terms as at the balance sheet date:

- For loans from the Public Works Loan Board (PWLB) payable, new loan 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.

# Balance Sheet Supporting Notes

## Fair value hierarchy for financial liabilities

	31-Mar-20		31-Mar-21	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£000	£000	£000	£000
PWLB borrowing	-381,430	-424,308	-420,198	-542,959
Non-PWLB borrowing	-386,437	-415,516	-391,081	-463,151
Short term creditors/payables	-89,825	-89,825	-108,954	-108,954
Short term finance lease & PFI liability	-4,651	-4,651	-2,668	-2,668
Long term finance lease & PFI liability	-106,891	-106,891	-104,224	-104,224
<b>Total financial liabilities</b>	<b>-969,234</b>	<b>-1,041,191</b>	<b>-1,027,125</b>	<b>-1,221,956</b>

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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £424.8m 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, 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.

# Balance Sheet Supporting Notes

## Fair value hierarchy for financial assets

	31-Mar-20		31-Mar-21	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Fixed term investments	0	0	0	0
Cash and cash equivalents	57,715	57,715	92,598	92,598
Debtors	76,753	76,753	125,617	125,617
Long-term debtors	128,761	128,761	267,868	267,868
<b>Total financial assets</b>	<b>263,229</b>	<b>263,229</b>	<b>486,083</b>	<b>486,083</b>
Long Term Equity Investments	13,146	13,146	27,937	27,937
<b>Financial assets through other comprehensive income (FVOCI)</b>	<b>13,146</b>	<b>13,146</b>	<b>27,937</b>	<b>27,937</b>

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

# Balance Sheet Supporting Notes

## 28. FAIR VALUE HIERARCHY – TO BE UPDATED

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 2021 and 31 March 2020 are as follows:

	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31/03/2020
	Level 2	Level 3	
Fair value measurements for:	£000	£000	£000
Surplus Assets	223	2,578	2,801
Assets Held for Sale	228	516	744
Investment Assets: Commercial	134,185	550	134,735
Investment Assets: Residential	0	65	65
Investment Assets: Land	380	2,179	2,559
<b>Total</b>	<b>135,016</b>	<b>5,888</b>	<b>140,904</b>

# Balance Sheet Supporting Notes

	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31/03/2019
	Level 2	Level 3	
Fair value measurements for:	£000	£000	£000
Surplus Assets	1,458	1,463	2,921
Assets Held for Sale	361	2,871	3,232
Investment Assets: Commercial	39,953	788	40,741
Investment Assets: Residential	0	169	169
Investment Assets: Land	215	2,341	2,556
<b>Total</b>	<b>41,987</b>	<b>7,632</b>	<b>49,619</b>

## 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, Day Centre, Depot, Student Accommodation, Leisure and Retail assets have been based on the market approach using current market conditions and recent sale 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 is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

### Significant Observable Inputs – Level 3

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

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



## Balance Sheet Supporting Notes

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- 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 15 assets their highest and best use is actually for an alternative use (18 assets in 2018-19). In most 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.

# Balance Sheet Supporting Notes

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

<i>Fair value movements for assets categorised within level 3:</i>	<b>31-Mar-19</b>	<b>31-Mar-20</b>
	<b>£000</b>	<b>£000</b>
Opening balance	6,840	7,631
Transfers into level 3	6,057	1,356
Transfers out of level 3	-130	-926
Reclasses between PPE, AHFS and Investment Properties	2,416	-1,332
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-565	448
Total gains [or losses] for the period included in Surplus or deficit on revaluation of long-term assets	-787	-335
Disposals	-6,183	-942
Depreciation	-17	-12
<b>Closing Balance</b>	<b>7,631</b>	<b>5,888</b>

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.

# Balance Sheet Supporting Notes

## 29. SHORT-TERM DEBTORS

31-Mar-20		31-Mar-21
£000		£000
39,891	Trade debtors	38,383
33,910	Central government bodies	88,189
6,567	NHS bodies	650
4,075	Collection fund debtors	7,972
2,708	Other	6,192
<b>87,151</b>	<b>Total Short Term Debtors</b>	<b>141,386</b>

## 30. 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.

# Balance Sheet Supporting Notes

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:

	<b>31-Mar-20</b>	<b>31-Mar-21</b>
	<b>£000</b>	<b>£000</b>
Cash held by the Council	18,591	36,827
Cash equivalents	39,124	55,771
	<b>57,715</b>	<b>92,598</b>

## 31. SHORT-TERM CREDITORS

<b>31-Mar-20</b>		<b>31-Mar-21</b>
<b>£000</b>		<b>£000</b>
-61,089	Trade creditors	-59,859
-22,640	Central government bodies	-38,325
-3,852	NHS bodies	-4,478
-5,578	Collection fund creditors	-6,927
-7,775	Accumulated absences accrual	-5,371
-4,651	Finance lease liabilities	-2,668
-10,987	Other	-8,474
<b>-116,572</b>	<b>Total Short Term Creditors</b>	<b>-126,102</b>

# Balance Sheet Supporting Notes

## 32. OTHER LONG-TERM LIABILITIES

An analysis of other long-term liabilities is shown below:

31-Mar-20		31-Mar-21
£000		£000
-491,615	Pensions liabilities	-708,215
-77	Long term finance lease (non-PFI)	-77
-106,814	Long term finance lease (PFI)	-104,147
<b>-598,506</b>		<b>-812,439</b>

# Balance Sheet Supporting Notes

## 33. GRANT INCOME

The following is a list of all grants and contributions received in excess of £2 million during 2020-21 where the grant / contribution has been recognised as income:

2019-20 £000	2020-21 £000
<b>Credited to taxation and non specific grant income</b>	
0 GCP City Deal grant	185,059
14,612 COVID-19 Support Grant	20,282
18,583 Local Transport Plan funding passported via Combined Authority	17,781
40,051 S106, CIL and other capital contributions	14,480
3,970 Adult Social Care Support Grant	12,423
8,777 Cambridgeshire and Peterborough Combined Authority contributions	12,213
0 Pothole Action Fund Grant passported via Combined Authority	10,201
4,289 Business Rates compensation grant	4,720
0 School condition grant	4,123
2,970 New homes bonus	2,927
8,405 Other grants	6,247
<b>101,657 Credited to taxation and non specific grant income</b>	<b>290,456</b>

# Balance Sheet Supporting Notes

2019-20	2020-21
£000	£000
<b>Credited to services</b>	
221,008 Dedicated schools grant	226,712
25,560 Public Health grant	26,427
19,367 Learning Disability Partnership (NHS pooled budget contribution)	20,531
0 GCP City Deal Grant (REFCUS)	17,279
16,112 Better Care Fund (NHS pooled budget contribution)	16,995
0 Contain Outbreak Management Fund	15,311
12,401 Better Care Fund (MHCLG Grant)	14,725
0 Infection Control Grants	11,577
8,738 Combined Authority Levy contribution	9,017
8,362 Pupil premiums	9,748
0 Covid-19 Sales, Fees and Charges Compensation	6,541
4,468 Better Care Fund Financing (REFCUS)	5,070
0 Other ringfenced Covid 19 grants	7,295
3,746 Unaccompanied asylum seekers grant	4,322
4,280 Universal Infant Free School Meals funding	4,211
0 Test and Trace Service Support Grant	2,493
2,242 Integrated Community Equipment Service (NHS pooled budget contribution)	2,335
2,280 Primary schools sports funding	2,238
2,033 Adult education budget block grant	2,120
4,999 Opportunity Area Grant	1,457
38,498 Other contributions	53,868
11,736 Other grants	12,087
2,324 Adult social care winter funding	0
9,364 Northstowe DfE grant (REFCUS)	0
4,329 Teachers' Pay Grant	0
<b>385,830 Total Credited to services</b>	<b>472,359</b>
<b>487,487 Grant Total</b>	<b>762,815</b>

# Balance Sheet Supporting Notes

## Capital grants and contributions received in advance

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

2019-20		2020-21
£000		£000
<b>Current</b>		
146	Grants	1,572
0	Section 106 contributions and Community Infrastructure levy	0
<b>146</b>		<b>1,572</b>
<b>Long Term</b>		
31,799	Section 106 contributions	27,482
303	Other contributions	175
<b>32,102</b>		<b>27,657</b>
<b>32,248</b>	<b>Total</b>	<b>29,229</b>



# Balance Sheet Supporting Notes

## 34. 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 2021 was £1,022.6m (£999.9m at 31 March 2020).

2019-20 £000		2020-21 £000
	<b>Expenditure funded from capital:</b>	
100,676	Property, Plant and Equipment	101,939
103,405	Investment Properties	0
7,003	Intangible Assets	1,669
34,320	Revenue Expenditure Funded from Capital under Statute	8,039
10,657	Long-term Capital Debtors	21,072
	<b>Sources of finance:</b>	
-19,606	Capital receipts	-1,863
-62,979	Government grants and other contributions	-85,279
-1,619	Direct revenue contributions	-1,660
	<b>Sum set aside from revenue:</b>	
-18,600	MRP/loans fund principal	-21,299
<b>153,257</b>	<b>Increase in Capital Financing Requirement</b>	<b>22,618</b>
	<b>Explanation of movements in year:</b>	
153,257	Increase in underlying need to borrowing (unsupported by government financial assistance)	22,618
<b>153,257</b>	<b>Increase in Capital Financing Requirement</b>	<b>22,618</b>

# Balance Sheet Supporting Notes

## 35. LEASES

### Council as Lessee:

#### Finance Leases

The Council has acquired land and buildings, including Child and Family Centres / Pre-schools, libraries and depots, under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts (excluding Waste PFI leases which are disclosed separately in the Waste PFI note (Note 35)):

31-Mar-20		31-Mar-21
£000		£000
<b>39,355</b>	Other land and buildings	<b>30,852</b>

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-20			31-Mar-21	
MLP	FLL		MLP	FLL
£000	£000		£000	£000
6	2	Not later than 1 year	7	2
25	8	Later than 1 year and not later than 5 years	28	8
426	44	Later than 5 years	458	44
<b>457</b>	<b>54</b>	<b>Total</b>	<b>493</b>	<b>54</b>

# Balance Sheet Supporting Notes

## 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-20			31-Mar-21		
MLP	GI		MLP	GI	
£000	£000		£000	£000	
1,489	1,058	Not later than 1 year	1,489	992	
5,954	3,612	Later than 1 year and not later than 5 years	5,954	3,388	
156,188	12,711	Later than 5 years	154,700	11,943	
<b>163,631</b>	<b>17,381</b>	<b>Total</b>	<b>162,143</b>	<b>16,323</b>	

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:

# Balance Sheet Supporting Notes

<b>31-Mar-20</b>	<b>31-Mar-21</b>
<b>£000</b>	<b>£000</b>
5,089 Not later than 1 year	4,942
14,528 Later than 1 year and not later than 5 years	13,505
18,810 Later than 5 years	17,581
<b>38,427 Total</b>	<b>36,028</b>

## 36. 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 2020-21, the following figures have been recognised in the Council's financial statements:

<b>2019-20</b>	<b>Comprehensive Income and Expenditure Statement</b>	<b>2020-21</b>
<b>£000</b>		<b>£000</b>
13,429	Fair value of services provided	13,920
6,407	Interest payable on the finance lease liability	6,073
2,366	Repayment of capital	2,306
2,693	Contingent rents	2,806
0	Lifecycle replacement costs	543
920	Depreciation	920
-2,611	PFI credits	-2,611

<b>31-Mar-20</b>		<b>31-Mar-21</b>	<b>Movement</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>Assets</b>			
14,377	Land and buildings	13,479	-898
55	Plant and equipment	33	-22
<b>Liabilities</b>			
-2,306	Short term finance lease liability	-381	1,925
-40,765	Long term finance lease liability	-40,384	381
<b>Reserves</b>			
1,128	Revaluation Reserve	1,057	-71
-29,767	Capital Adjustment Account (Depreciation and Debt Provision)	-28,310	1,457

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

# Balance Sheet Supporting Notes

	Cost of Services	Capital replacement	Liability repayment	Interest costs & contingent rents	Total
	£000	£000	£000	£000	£000
Within 1 year	14,430	3,737	381	7,880	<b>26,428</b>
Within 2 to 5 years	61,487	14,140	1,933	34,746	<b>112,306</b>
Within 6 to 10 years	86,136	14,421	10,997	45,019	<b>156,573</b>
Within 11 to 15 years	94,665	5,491	27,454	44,759	<b>172,369</b>
<b>Total</b>	<b>256,718</b>	<b>37,789</b>	<b>40,765</b>	<b>132,404</b>	<b>467,676</b>

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

<b>2019-20</b>	<b>2020-21</b>
<b>£000</b>	<b>£000</b>
<b>46,936</b> Balance outstanding at start of year	<b>44,570</b>
<b>-2,366</b> Payments during the year	<b>-2,306</b>
<b>44,570</b> Balance outstanding at end of year	<b>42,264</b>

## 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.

## Balance Sheet Supporting Notes

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 2020-21, the following figures have been recognised in the Council's financial statements:

<b>2019-20</b>	<b>Comprehensive Income and Expenditure Statement</b>	<b>2020-21</b>
<b>£000</b>		<b>£000</b>
2,318	Fair value of services provided	2,381
3,707	Interest payable on the finance lease liability	3,730
532	Repayment of capital	1,682
196	Contingent rents	222
2,245	Depreciation	2,245
-3,944	PFI credits	-3,944

# Balance Sheet Supporting Notes

31-Mar-20	31-Mar-21	Movement
£000	£000	£000
<b>Assets</b>		
42,375 Infrastructure	40,130	-2,245
<b>Liabilities</b>		
-1,682 Short term finance lease liability	-1,478	204
-38,606 Long term finance lease liability	-37,128	1,478
<b>Reserves</b>		
2,087 Capital Adjustment Account (Depreciation and Debt Provision)	1,524	-563

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

	Cost of Services	Capital replacement	Liability repayment	Interest costs & contingent rents	Total
	£000	£000	£000	£000	£000
Within 1 year	2,441	460	1,478	3,724	8,103
Within 2 to 5 years	11,745	2,592	5,727	13,267	33,331
Within 6 to 10 years	15,839	3,668	11,203	13,199	43,909
Within 11 to 15 years	16,814	2,675	18,963	8,258	46,710
Within 16 to 20 years	874	0	1,234	306	2,414
<b>Total</b>	<b>47,713</b>	<b>9,395</b>	<b>38,605</b>	<b>38,754</b>	<b>134,467</b>



# Balance Sheet Supporting Notes

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

2019-20		2020-21
£000		£000
43,094	Balance outstanding at start of year	41,550
-1,544	Payments during the year	-1,682
<b>41,550</b>	<b>Balance outstanding at end of year</b>	<b>39,868</b>

## 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.

# Balance Sheet Supporting Notes

For 2020-21, the following figures have been recognised in the Council's financial statements:

2019-20 Comprehensive Income and Expenditure Statement		2020-21	
£000		£000	
863	Fair value of services provided	885	
3,061	Interest payable on the finance lease liability	2,992	
650	Repayment of capital	662	
532	Contingent rents	572	
281	Lifecycle replacement costs	337	
-534	Contribution from school	-595	
-4,853	PFI credits	-4,853	

31-Mar-20	Balance Sheet	31-Mar-21	Movement
£000		£000	£000
	<b>Liabilities</b>		
-662	Short term finance lease liability	-808	-146
-27,530	Long term finance lease liability	-26,722	808
	<b>Reserves</b>		
-28,192	Capital Adjustment Account	-27,530	662

# Balance Sheet Supporting Notes

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

	Cost of Services	Capital replacement	Liability repayment	Interest costs & contingent rents	Total
	£000	£000	£000	£000	£000
Within 1 year	907	262	808	3,536	5,513
Within 2 to 5 years	3,861	1,080	4,137	13,640	22,718
Within 6 to 10 years	5,394	1,520	8,009	15,109	30,032
Within 11 to 15 years	6,103	2,214	12,418	11,336	32,071
Within 16 to 20 years	2,595	979	2,159	1,133	6,866
<b>Total</b>	<b>18,860</b>	<b>6,055</b>	<b>27,531</b>	<b>44,754</b>	<b>97,200</b>

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

2019-20		2020-21
£000		£000
28,842	Balance outstanding at start of year	28,192
-650	Payments during the year	-662
<b>28,192</b>	<b>Balance outstanding at end of year</b>	<b>27,530</b>

# Balance Sheet Supporting Notes

## 37. RETIREMENT BENEFITS

### DEFINED BENEFIT PENSION SCHEMES

#### Participation in pension schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Cambridgeshire County Council – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note (see Appendix 1, page 157).

# Balance Sheet Supporting Notes

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## 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 from page 139. 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:

# Balance Sheet Supporting Notes

2019-20 £000	Local Government Pension Scheme	2020-21 £000
<b>Comprehensive Income and Expenditure Statement:</b>		
<b>Cost of services - service cost comprising:</b>		
61,591	Current service cost	50,037
-1,668	Past service cost	113
-3,651	Gain (-) or loss (+) from settlements	-375
<b>Financing and investment income and expenditure:</b>		
15,009	Net interest expense	11,488
<b>71,281</b>	<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>61,263</b>
<b>Other post-employment benefits charged to the comprehensive income and expenditure statement:</b>		
<b>Remeasurement of the net defined benefit liability comprising:</b>		
102,621	Return on plan assets (excluding the amount included in net interest)	-219,862
-37,115	Actuarial gains (-) and losses (+) arising on changes in demographic assumptions	23,155
-138,272	Actuarial gains (-) and losses (+) arising on changes in financial assumptions	401,720
-86,985	Other actuarial remeasurement experience	-16,402
<b>-88,470</b>	<b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>249,874</b>
<b>Movement in Reserves Statement:</b>		
38,259	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	27,989
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>		
<b>-33,022</b>	<b>Employers' contributions payable to scheme</b>	<b>-33,274</b>
<b>45,594</b>	<b>Retirement Benefits payable to pensioners</b>	<b>43,555</b>

# 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:

2019-20		2020-21
£000		£000
-1,494,475	Present value of the defined benefit obligation	-1,952,232
1,002,859	Fair value of plan assets	1,244,016
<b>-491,616</b>		<b>-708,216</b>

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

2019-20		2020-21
£000		£000
<b>1,085,857</b>	<b>Opening Fair Value of Schemes</b>	<b>1,002,860</b>
26,017	Interest income	23,030
	<b>Remeasurement gains (+) or losses (-):</b>	
-102,621	Return on plan assets (excluding the amount included in the net interest expense)	219,862
-2,489	Effect on settlements	-367
33,022	Contributions from employer	33,274
8,668	Contributions from employees into the scheme	8,913
-45,594	Benefits paid	-43,555
<b>1,002,860</b>		<b>1,244,017</b>

# Balance Sheet Supporting Notes

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

2019-20		2020-21
£000		£000
<b>1,698,964</b>	<b>Opening Defined Benefit Obligation</b>	<b>1,494,475</b>
61,591	Current service cost	50,037
41,026	Interest cost	34,518
8,668	Contribution by scheme participants	8,913
	<b>Remeasurement gains (-) or losses (+):</b>	
-37,115	Arising from changes in demographic assumptions	23,155
-138,272	Arising from changes in financial assumptions	401,720
-86,985	Other	-16,402
-1,668	Past service costs (including curtailments)	113
-45,594	Benefits paid	-43,555
-6,140	Liabilities extinguished on settlements	-742
<b>1,494,475</b>		<b>1,952,232</b>



# Balance Sheet Supporting Notes

## Local Government Pension Scheme assets comprise:

2019-20		2020-21
£000		£000
15,134	Cash and Cash Equivalents	19,198
82,254	Private equity	93,715
51,918	Debt securities (bonds) - Government	55,534
	<b>Equity instruments (by industry type):</b>	
0	Consumer	0
0	Manufacturing	0
0	Energy and utilities	0
0	Financial institutions	0
0	Health and care	0
0	Information technology	0
0		0
	<b>Investment funds and unit trusts:</b>	
607,866	Equities	747,196
68,014	Bonds	144,352
90,420	Infrastructure	112,613
0	Other	0
766,300		1,004,161
	<b>Derivatives:</b>	
0	Inflation	0
0	Interest rate	0
0	Foreign exchange	0
12,200	Other	-5,124
12,200		-5,124
	<b>Property:</b>	
75,039	UK	76,518
14	Overseas	14
75,053		76,532
<b>1,002,859</b>		<b>1,244,016</b>

# Balance Sheet Supporting Notes

## 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 2019.

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

2019-20		2020-21
Years	Mortality assumptions:	Years
	Longevity at 65 for current pensioners:	
22.0	Men	22.2
24.0	Women	24.4
	Longevity at 65 for future pensioner:	
22.7	Men	23.2
25.5	Women	26.2
% Other assumptions:		%
2.8	Rate of inflation	3.3
2.4	Rate of increase in salaries	3.4
1.9	Rate of increase in pensions	2.9
2.3	Rate for discounting scheme liabilities	2.0

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

## Balance Sheet Supporting Notes

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.

	<b>Impact on the Defined Benefit Obligation in the Scheme £000</b>
0.5% decrease in inflation/discount rate	197,154
0.5% increase in salary rate	11,503
0.5% increase in pension increase rate	182,100

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 £30.5m employer contributions to the scheme in 2021-22.

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

# Balance Sheet Supporting Notes

## 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 3,000 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 2020-21, the Council paid **£13.0m** to Teachers' Pensions in respect of teachers' retirement benefits (2019-20 £13.0m). There were **£39k** contributions remaining payable at the year-end. Contributions in 2021-22 are expected to be at a similar level.

2019-20	Teachers' Pension Scheme	2020-21
£000		£000
13,019	Employer's contributions	13,019
5,660	Employee contributions	5,660
<b>18,679</b>		<b>18,679</b>

**NEEDS UPDATING**

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.

# Balance Sheet Supporting Notes

## 38. 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 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:

## Balance Sheet Supporting Notes

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- 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 2020-21 was approved by Full Council in February 2020 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 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 2021 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, other than for loans to This Land Group which were collateralised by way of mortgages on 26 properties.

# Balance Sheet Supporting Notes

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## 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.

## 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;
- 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):

# Balance Sheet Supporting Notes

31-Mar-20 Debt maturity £000 (lower/upper limits as	Approved limit %	31-Mar-21 %	£000
241,897 Less than 1 year	0 – 80	31%	248,872
114,207 1-2 years	0 – 50	12%	94,761
51,348 2-5 years	0 – 50	7%	58,791
72,583 5-10 years	0 – 50	11%	87,995
287,831 10 years and above	0 – 100	40%	320,860
<b>767,866 Total</b>		<b>100%</b>	<b>811,279</b>

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 2021 £15.5m).

**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



## Balance Sheet Supporting Notes

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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.

# Other Supporting Notes

## 39. RELATED PARTIES

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

### Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in **Note 9** 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.

A close relative of a senior officer is Director of Social Care for the Chartwell Group, who provide residential education provision. Cambridgeshire children are placed at Chartwell Group facilities and as such the Council made payments in 2020-21 of £1.7m to the Chartwell Group. The senior officer does not have any involvement in decisions about where children are placed.

A member is a trustee of Viva! Arts & Community Group, which have received a loan of £300k from the Council during 2019-20 towards a major building renovation project. The trust has received in excess of £1m of funding for the project from a number of sources, including The National Heritage Lottery Fund, East Cambridgeshire District Council and Arts Council England.

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 2021:

# Other Supporting Notes

## Lead Authority arrangements with Northamptonshire County Council and Milton Keynes Council

The previous LGSS shared service arrangements with Northamptonshire County Council and Milton Keynes Council ended in December 2020. A number of the services previously within LGSS repatriated to the relevant councils during 2020, whilst others continue to be shared under a new Lead Authority arrangement. The following services were delivered under the Lead Authority arrangement for the latter part of 2020-21:

Service	Lead Authority
Insurance and Finance Operations (covering Accounts Payable, Receivable, Debt and Finance helpdesk)	Cambridgeshire County Council
Audit and Risk	Milton Keynes Council
Payroll and HR Transactions, Pensions and Business Systems	Northamptonshire County Council

The value of LGSS transactions up to the point of repatriation and move to the new Lead Authority model are shown in the LGSS Operational line of the [Comprehensive Income and Expenditure Statement](#). Shared service transactions under the Lead Authority model are included within Corporate Services in the same statement.

## LGSS Law Ltd

LGSS Law Ltd was spun off from the previous 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 475,000 £1 shares each.

Throughout 2020-21 the deputy section 151 officer (who became section 151 officer in May 2021) served as non-executive director of LGSS Law Ltd on the nomination of Cambridgeshire County Council.

During 2020-21 the Council made payments of £6.7m to LGSS Law Ltd as payment for legal services received in the year (2019-20 £4.2m). At 31 March 2021 there was a debtor balance of £0.7m (2019-20 £0.9m) and a creditor balance of £49k (2019-20 £0.3m) with LGSS Law Ltd.

## Other Supporting Notes

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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 £2.0m (2019-20 £2.4m).

The Council is also the single largest employer of members of the Pension Fund and contributed £21.5m to the Fund in 2020-21 (2019-20: £21.0m). At 31 March 2021 there was £5.1m (31 March 2019: £0.2m) 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. 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 (a constituent college of the University of Cambridge), each owning a 50% share. The current market value of the Pension Fund's investment at 31 March 2021 is £76.0m (£58.0m at the 31<sup>st</sup> March 2020).

### 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.

Throughout 2020-21 one member and the Executive Director of Place & Economy served as non-executive directors of This Land Limited on the nomination of Cambridgeshire County Council. The Deputy Chief Finance Officer also served as a non-executive director of This Land Limited until July 2020.

## Other Supporting Notes

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At 31 March 2021 there was a debtor balance of £115.9m 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 138).

### Opus People Solutions (East)

Opus People Solutions (East) (formerly Opus LGSS People Solutions) is a joint venture between Opus People Solutions (a wholly-owned subsidiary of Suffolk County Council) and the former partners of LGSS – Cambridgeshire County Council, Northamptonshire County Council (now West Northants and North Northants Councils) and Milton Keynes Council. The company was set up in July 2016 to meet the temporary and interim recruitment needs of Cambridgeshire County Council and Northamptonshire County Council, and later expanded to cover Milton Keynes Council as well. The Council has a 16% shareholding in the company and received a dividend of £50k during 2020-21.

The Director of Customer & Digital Services served as a non-executive director of Opus People Solutions (East) from February 2021 on the nomination of Cambridgeshire County Council.

During 2020-21 the Council made payments of £7.2m to Opus People Solutions (East) for agency staff fees. There was no outstanding balance owed at 31 March 2021.

### Light Blue Fibre Ltd

Light Blue Fibre is a joint venture with the University of Cambridge, set up in Summer 2019 to enhance local digital infrastructure and explore opportunities to secure a commercial return from the digital infrastructure assets held by the Council. The Council has a 50% shareholding in the company.

Throughout 2020-21 the deputy section 151 officer (who became section 151 officer in May 2021) served as non-executive director of Light Blue Fibre Ltd on the nomination of Cambridgeshire County Council.

The the number of transactions occurring up to 31 March 2021 was small (trivial) and the Council cannot exercise control over the company management or board of directors. On this basis, the Council does not consider it is necessary to include Light Blue Fibre Ltd within its group accounts this year.

# Other Supporting Notes

## 40. CONTINGENT LIABILITIES

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

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

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

### Guided Busway

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

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

### Cambridgeshire Archives

The archives collections held by Cambridgeshire Archives include original historical documents relating to the area covered by the modern county of Cambridgeshire. The purpose of preserving these records is so that members of the public may consult them, which is allowed within supervised reading rooms.

## Other Supporting Notes

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A catalogue of the collection is available publically through the internet and contains details of at least 460,000 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 the Archives service 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 controlled and monitored strong rooms at Ely and Huntingdon that both meet standard PD5454. The archives which used to be held in the basement of Shire Hall are now held at the new Cambridgeshire Archives building in Ely which opened in 2019. Huntingdonshire Archives is based at Huntingdon Library, opened in 2009.

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

Cambridgeshire Archives holds an estimated 900 cubic metres of archives at Ely 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.

## Other Supporting Notes

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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.

The Archives were valued by Bonhams, the international auction house and valuers, in 2020, the first such comprehensive valuation carried out since 2008. The documents that are held at the new archives centre in Ely were collectively valued at £14.7 million (2008 valuation: £14.5 million), while the ones held in the archives store at Huntingdon were valued at £4.3 million (2008 valuation: £4.1 million).

### Local Studies

The Council also holds reference and loan Local Studies collections in Libraries. Whereas the archives service preserves original 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 reference materials are held at the Cambridgeshire Collection in Cambridge Central Library.

### Archaeology and Monuments

The archaeology collection principally consists of around 12,500 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. There are also about 28,000 small finds stored separately.

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 over 2,000 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

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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 26,000 monuments, 6,000 events and finds within the County.

The cost of preservation of archaeological assets held in store is £22,000 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 36 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

## Other Supporting Notes

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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 also a number of other sundry items which decorate the ceremonial areas of Shire Hall. The financial value of these sundry items is not known.

# Group Accounts and Supporting Notes

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## GROUP ACCOUNTS

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# Pension Fund and Supporting Notes

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## PENSION FUND ACCOUNTS

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# Appendix 1 – Accounting Policies

## APPENDIX 1 - ACCOUNTING POLICIES

### GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. 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 2020-21](#), 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;

# Appendix 1 – Accounting Policies

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- 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.

# Appendix 1 – Accounting Policies

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## 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, page 154). 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.

# Appendix 1 – Accounting Policies

## Measurement

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



# Appendix 1 – Accounting Policies

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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;

Costs 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.

# Appendix 1 – Accounting Policies

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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.

# Appendix 1 – Accounting Policies

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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

# Appendix 1 – Accounting Policies

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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 147);
- 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

# Appendix 1 – Accounting Policies

page 160). 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;

# Appendix 1 – Accounting Policies

- 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.

## Appendix 1 – Accounting Policies

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

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

### FINANCIAL ASSETS

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset

## Appendix 1 – Accounting Policies

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multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Comprehensive Income and Expenditure Statement for the loans is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement.

### Expected Credit Loss Model

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

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

### GOVERNMENT GRANTS

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

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

The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation). However, if recovery of the grant / donation is only possible indirectly



## Appendix 1 – Accounting Policies

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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.

# Appendix 1 – Accounting Policies

## 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;

## Appendix 1 – Accounting Policies

- Life cycle replacement costs – this refers to the replacement of individual components within the PFI asset portfolio to ensure that the condition of the whole property meets the agreed standard throughout the life of the PFI contract. A proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

Central government support for PFI schemes is in the form of PFI credits. These are a measure of the private sector investment which is supported by central government departments and are a promise that PFI revenue grant can be claimed once the project is operational. The level of PFI credits determines the amount of grant that can be claimed by the Council, which is calculated as an annuity based on the level of PFI credits and the contract length. (Further detail on the PFI contracts is given in the PFI note, [Note 35](#))

### LEASES

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

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

### Council as Lessee

#### Finance leases

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

# Appendix 1 – Accounting Policies

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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 160). 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.

## Appendix 1 – Accounting Policies

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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.

# Appendix 1 – Accounting Policies

## 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.

# Appendix 1 – Accounting Policies

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

## The Teachers' Pension Scheme

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

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

## The Local Government Pension Scheme (LGPS)

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

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices using a discount rate.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - ▶ quoted securities – market value
  - ▶ unquoted securities – professional estimate
  - ▶ unitised securities – closing bid price
  - ▶ property – market value;
- The change in the net pension liability is analysed into service cost and re-measurement components.

Service Cost elements comprise:

- ▶ **Current service cost:** the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

## Appendix 1 – Accounting Policies

- ▶ **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 employer 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:



# Appendix 1 – Accounting Policies

- **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

## Appendix 1 – Accounting Policies

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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

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## GLOSSARY

### ACCRUAL

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

### ACCUMULATED ABSENCES ACCOUNT

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

### ACTUARIAL BASIS

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

### ACTUARY

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

### AMORTISATION

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

### 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).

### BENEFICIAL OWNER

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

# Glossary of Terms

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## **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 15-20 years.

## **CAPITAL ADJUSTMENT ACCOUNT**

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

## **CAPITAL FINANCING REQUIREMENT**

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

## **CAPITAL GRANTS**

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

## **CAPITAL SPENDING**

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

## **CAPITAL RECEIPTS**

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

# Glossary of Terms

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## **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.

## **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.

## **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.

## **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.

# Glossary of Terms

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## **DEPRECIATED REPLACEMENT COST**

This is a basis of valuation which provides an estimate of the market value for the land the building sits on, plus the current gross replacement cost of the building less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

## **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.

## **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.

## **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.

# Glossary of Terms

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## **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.

## **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.

## **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.

## **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.

## **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.

# Glossary of Terms

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## **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.

## **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.

## **LONG-TERM ASSETS**

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

## **MINIMUM REVENUE PROVISION**

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



# Glossary of Terms

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## **NET BOOK VALUE**

The depreciated value of an asset.

## **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.

# Glossary of Terms

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## **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. Can also be described as capital expenditure charged against the general fund balance.

## **REVENUE EXPENDITURE**

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

# Glossary of Terms

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## **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.

## **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.

## **TREASURY MANAGEMENT**

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

## **TRUST**

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

## **UNIT TRUST**

An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

# Annual Governance Statement

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## ANNUAL GOVERNANCE STATEMENT

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