

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

Contents

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KEY NUMBERS

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

	2019-20 £m	2020-21 £m	Note
Revenue			
Expenditure	1,149.4	1,069.7	Expenditure and Income Analysed by Nature (page 58)
Income *	-912.3	-998.9	Expenditure and Income Analysed by Nature (page 58)
Net	237.1	70.8	
Capital			
Expenditure	292.8	176.8	Narrative Report (pages 15 – 16)
Financing	-292.8	-176.8	Narrative Report (pages 15 – 16)
Net	0.0	0.0	
Total reserves **	530.6	519.7	Movement in Reserves Statement (page 45)

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

** includes usable reserves of £375.5m at 31st March 2021 (previous year £145.0m)

Narrative Report

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 changeable situation caused by Covid-19. In addition, the political leadership of the Council changed following the elections in May 2021 leading to changes in the Council's policy direction.

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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

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 invested £640k to address the causes of flooding and to support improvements in biodiversity and will invest a further £1,040k in 2022-23. 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 14th 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.

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The Joint Administration 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 of the Council’s policy agenda. There is also 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. A new [strategic framework](#) was discussed and agreed at the Strategy and Resources Committee in January and in Full Council in February.

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. Most recent copies of these reports can be viewed 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 6th July 2021.

Revised Net Budget	Area	Measure	Outturn	Year End Position 31-03-2021
£404.1m	Revenue Budget	Variance (£m)	£397.8m	-£6.3m
£205.0m	Capital Programme*	Variance (£m)	£154.5m	-£50.5m

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£840.0m	Balance Sheet Health	Net borrowing activity (£m)	£812.6m	-£27.4m
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** 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.

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 revised 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.

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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
Grand Total	19	16	18	18	5	76
%	25%	21%	24%	24%	7%	100%

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

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 £29.0m higher than the net expenditure for the year of £397.8m 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.

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While overall numbers of Children in Care declined across the year, 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.

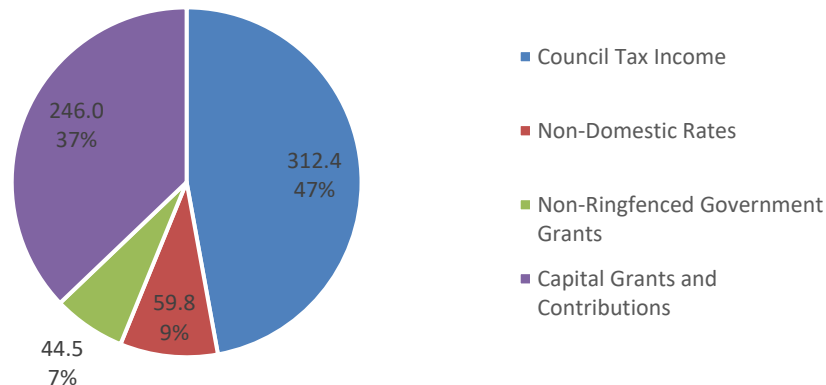
Similarly to councils nationally, cost pressures have been faced by Adult Services in Cambridgeshire for a number of years, in particular the rising cost of care homes and home care provision, due in part to the requirement to ensure compliance with the national living wage, as well as the increasing 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 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 dialogue 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:

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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 44).

Capital spending and financing

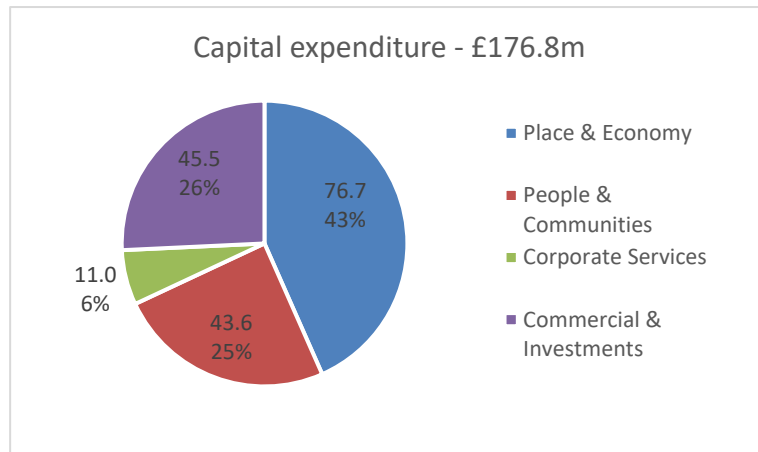
The Council's adjusted capital budget for the year was £201.8m plus £38.0m Greater Cambridge Partnership budget. Actual capital expenditure financed from capital resources for the year was £176.8m, leaving £63.0m (26%) of the adjusted capital budget unspent at the year end. This was largely due to the 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. A variations budget is used to account for an expected level of

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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.

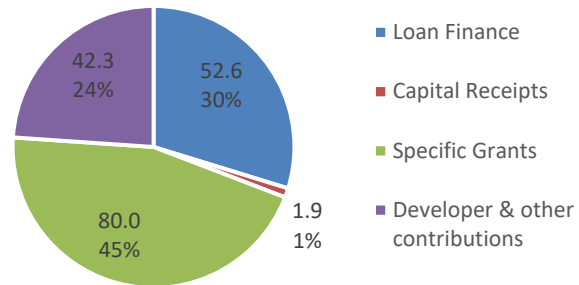


The cost of borrowing has been factored into the 2020-21 debt charges outturn position, as well as being accounted for within the 2021-2026 business planning process.

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

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Sources of Capital Financing - £176.8m



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.

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Reserves

The Council's total reserves have decreased in-year by £10.9m, to £519.7m at 31 March 2021. This balance comprises £375.5m (72%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £144.2m (28%) 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 £10.9m (a 2% reduction), from an opening balance of £530.6m to a closing balance of £519.7m 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.

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External borrowing and investment

Total debt outstanding at 31 March 2021 was £811.3m (consisting of £562.4m long-term borrowing and £248.9m 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 upon 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 passported 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. The Council also distributed over £14m in funding from central government to social care providers for infection control, testing, and workforce capacity. Alongside this, the Council has worked closely with the NHS to support hospital discharges. Through a national funding scheme, the Council led on the commissioning of care for people being discharged from hospital including the temporary commissioning of over 200 block residential and nursing beds. There is a likelihood of significant additional demand pressures in future years due to people not accessing care during the pandemic and therefore presenting with increased needs, as well as the reduced amount of preventative work that was possible.

The Council has also taken the lead on system-wide outbreak management work through our Public Health Team. This has involved working with district, NHS and other partner organisations to manage local test & trace and other outbreak management measures. Over £15m of government grant was provided for this work, of which a significant portion was carried-forward into 2021-22 as the outbreak management programme was extended.

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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.

Although schools faced considerable pressures as a result of the Covid-19 pandemic, there was a significant increase in the cumulative revenue balances held by maintained schools. This was due in part of the inability of schools to spend ringfenced grants or proceed with planned major projects during lockdown. Maintained schools also received additional Covid-19 related funding to support exceptional costs (£532k) and as part of the catch-up premium (£1,416k), both of which were passported to schools in full in-year. These additional grants also contributed to the increasing revenue balances held by some schools. The Council has also distributed a national grant to schools and education settings to enable children to access school meals during holidays.

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.

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 reduced income from trade waste but also additional covid-related costs. The government grant to mitigate loss of income partly offset these 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 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).

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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 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.

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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. In 2016 it established a company, This Land Ltd, in order to enable development of land for housing. The 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 were 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 and financing costs required to progress. The company repaid £8.5m of maturing loans during 2020-21. At the balance sheet date a total of £115.9m



A DEVELOPMENT
BUSINESS

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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 some 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.

During 2019-20, This Land undertook a significant review and reset of its business plan necessitated by revised assumptions showing a deteriorating financial position. The company had experienced delays achieving planning permission and was concerned its original plan was unduly optimistic and by the future overage obligations it had to the Council. A revised plan was submitted to the Council's Commercial and Investment Committee in April 2020, with the Committee agreeing, for the Council's part, to a number of updates and variations arising from the updated approach. Amongst the revisions was a commercial decision by This Land to dispose of a number of assets: refocusing on those of an optimum size and position for the company. By 31st March 2021, five disposals had been made and further disposals are upcoming over the coming months. The sales have progressed in a relatively buoyant housing market, thus allowing the company to maximise returns and select the best timing and circumstances for individual sales. 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 during 2020-21.

Other significant revisions within the 2020 business plan included a reduction in the Council's future entitlement to planning overage uplifts from This Land, an increase in the permitted levels of lending to the company in principle (although detailed approval of draw down requests are required to access this and actual lending is currently below the level authorised in 2017) and adding land promotion as a further area of business activity for the company. Adoption of the revised business plan enabled the Council to advance loan amounts that had previously been on hold and in turn This Land could ensure it was up-to-date with previously delayed interest payments back to the Council.

This Land has revised its accounting date to align with the County Council meaning that there is a long period of account of 15 months to 31 March 2021 reflected in the group accounts in this document. The company made an operating loss for this period of £2.9m, and the loss after interest and taxation was £3.4m. On the balance sheet, the company has net liabilities of £14.1m, an increase of £1.5m compared to the position as at 31 Dec 2019. The company's business plan takes account of this position, the future repayment of loans to schedule and interest payments and demonstrates overall a cogent plan for commercial success.

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. Principal risks to the business include construction cost management and the house price levels as well as securing future levels of profit from planned land acquisitions and promotions. During 2021-22, the Council commissioned a comprehensive shareholder review of This

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Land. This identified a number of action areas for the Council and the company, including considering governance, resourcing and personnel, improving the commercial and financial position particularly with reference to currently undefined future property promotions and acquisitions and taking opportunities to deliver on broader objectives through the company's work.

The company has invested in significant numbers of new planning applications across during 2020-21 with the majority either having secured a consent or awaiting determination. Construction has progressed at phase 1 of Ditton Walk, where the majority of units have now completed and are occupied.

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 at these sites with the first phase disposals expected to be completed over the current financial year.

This Land is currently planning to deliver a total of 137 new affordable homes. Longer term, the company has plans to expand this and will support the delivery of hundreds of affordable homes, either by themselves or through third party developers. A key part of their strategy is to provide housing choice for all.

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.

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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.

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.

68 acres of land at the north end of Heath Road, Burwell.

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 £3.69m. Our assessment is there is promising long term potential for increases in value.

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 with the second set of elections in May 2021. 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. Therefore, the funds were effectively passported to the County Council in line with the original DfT allocation and there was no net effect on the Council's accounts.

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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.

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. The latest details are set out in [the reports to the July 2021 meeting of the Strategy and Resources Committee](#).

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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 across 16 individual projects. A significant milestone for the spokes programme was the opening of the Bernard Sunley Building, a newly acquired office property in Papworth. In July 2021, the Council took possession of the New Shire Hall building at Alconbury Weald and expects the building project to complete on budget and with only minor delays as a result of the materials supply chain during the pandemic.

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. The pandemic reduced the capacity available for the preventative work of the APC programme as resources were directed to dealing with its immediate consequences, but the programme has continued and has helped manage demand in 2021-22.

Change in delivery model of the overnight short breaks service for Children and Young People with Disabilities

The disability short-breaks service was brought back "in house" in September 2020. This model has numerous benefits for families and young people, as well as providing a greater management of the service by the Local Authority. The service is closer to senior decision making processes, hence is better able to pre-empt and / or respond to crisis with stronger links to other services and a single approach to care planning across Education, Health and Social Care. Additionally, the move created greater flexibility and choice in Residential and overnight short break care, based on family preference and in line with identified consultation outcomes. The move affords the Council significant and greater control over the redesign and shaping of the services to meet our requirements now and in the future; whilst allowing for a programme of work that aligns and maximises efficiency opportunities.

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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 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 £700.7m 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 £248.7m. Overall this has resulted in a £209.1m 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 and joint committee.

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

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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.

Joint working with Peterborough City Council

The Council has continued to work closely with Peterborough City Council during 2020-21, for instance benefitting from a shared public health team throughout the pandemic with the advantages of scale and resilience that this brings. In total there are over 200 other roles now operating in shared posts, under section 113 arrangements with Peterborough. During 2021, the County Council has taken the decision to appoint to its own dedicated Chief Executive role focused on Cambridgeshire moving forward, further to the peer challenge recommendations to consider shared services.

Workforce Profile

The Council is an equal opportunities employer and promotes fairness to all. The Council has set a corporate outcome to promote equality, diversity and inclusion to form part of the "Our Conversations" employee appraisal process for all staff. 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:

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Statement of Responsibilities, Certificate and Approval of Accounts (page 37)

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 39)

This reports the independent auditors' opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Council, its income, expenditure and cash flows for the year, the financial transactions of the Pension Fund, the amount and disposition of the Fund's assets and liabilities (other than liabilities to pay pensions), and other benefits that will arise after the end of the year. The independent auditor also gives an opinion on the Council's use of resources and value for money.

Comprehensive Income and Expenditure Statement (CIES) (page 44)

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 £175.2m.

Movement in Reserves Statement (MIRS) (page 45)

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 £224.7m, largely as a result of technical accounting adjustments impacting upon the Pensions Reserve, Revaluation Reserve and Capital Adjustment Account.

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Balance Sheet (page 46)

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.

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	£141.4m	£54.2m 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	£804.9m	£206.4m Increase	Increase in pension liabilities

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Cash Flow Statement (page 47)

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 -£48.8m; year to 31 March 2020 -£165.7m).

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

Expenditure and Funding Analysis (page 57)

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 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 £121.3m. This difference comprises a number of technical accounting adjustments which the Council is required to make by the Code, including capital charges such as depreciation, actuarial pension adjustments and adjustments to the Collection Fund. A reconciliation of these adjustments is shown in Note 7 to the accounts.

Notes to the core financial statements (page 49)

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.

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Pension Fund accounts (page 160)

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

The corporate risk register is provided to the Strategy and Resources Committee (previously General Purposes Committee) on a regular basis and reviewed by the Joint 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.

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FUTURE CHALLENGES AND MEDIUM-TERM OUTLOOK

The financial outlook for 2021-22 remains 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.
- 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.
- 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

Narrative Report

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 with consultation now expected in 2022.

The Council expects to see an overall increase in funding (excluding schools grants) of 17.2% 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 27.5% of gross budget over the same period, resulting in a savings requirement of £102m over the next five years. In May 2021, a new joint administration took control of the Council and committed to a thorough 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 2022-27 Business Plan):

	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Unidentified Savings Requirement For The Year	£0m	£17.4m	£22.7m	£16.8m	£18.3m	£75.3m

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 we now expect a detailed consultation in 2022. 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.

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CONCLUSION

I am extremely grateful to all the finance staff and others involved with budget management 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
Chief Finance 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

Statement of Responsibilities, Certificate and Approval of Accounts

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

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: XX-XXXX-2022

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-2022.

Signed on behalf of
Cambridgeshire County Council:

Cllr. G. Wilson
Chair of the Audit and Accounts Committee
Date: XX-XXXX-2022

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

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Core Financial Statements

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Comprehensive Income and Expenditure

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019-20			Note	2020-21		
Gross Expenditure	Gross Income	Net Expenditure (+) / Income (-)		Gross Expenditure	Gross Income	Net Expenditure (+) / Income (-)
£000	£000	£000		£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		58,788	-11,329	47,459
23,613	-12,957	10,656		25,588	-10,732	14,856
17,392	-7,621	9,771		1,994	-2,200	-206
1,056,508	-501,475	555,033		992,470	-565,655	426,815
36,026	0	36,026	10	22,628	0	22,628
56,867	-14,426	42,441	11	54,597	-16,563	38,034
0	-467,736	-467,736	12	0	-662,662	-662,662
		165,764				-175,185
		-18,965	22			-33,910
		208,376	22			39,321
		768	27			-419
		-159,751	37			181,067
		30,428				186,059
		196,192				10,874

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
Balance at 1-Apr-19	76,918	20,415	27,228	124,561	602,224	726,785
<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
Increase (+) or decrease (-) in 2019-20	20,842	-8,783	8,395	20,454	-216,646	-196,192
Balance at 31-Mar-20	97,760	11,632	35,623	145,015	385,578	530,593
2020-21 Statutory opening balance adjustment for DSG deficit	16,620	0	0	16,620	-16,620	0
Adjusted Balance at 1-Apr-20	114,380	11,632	35,623	161,635	368,958	530,593
<i>Movement in 2020-21</i>						
Total comprehensive income and expenditure	175,185	0	0	175,185	-186,059	-10,874
Adjustments between accounting and funding basis under regulations (note 19)	-121,280	-771	160,709	38,658	-38,658	0
Increase (+) or decrease (-) in 2020-21	53,905	-771	160,709	213,843	-224,717	-10,874
Balance at 31-Mar-21	168,285	10,861	196,332	375,478	144,241	519,719

* General Fund balances include earmarked reserves

The purpose of this statement is explained in the Narrative Report (page 28).

Balance Sheet

BALANCE SHEET

31-Mar-20			31-Mar-21
£000		Note	£000
1,591,330	Property, plant and equipment	23	1,604,805
19,010	Heritage assets	25	19,012
137,359	Investment property	24	127,606
13,905	Intangible assets		12,614
17,592	Long term investments	27	34,303
128,761	Long term debtors	26	267,868
1,907,957	Long Term Assets		2,066,208
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
146,814	Current Assets		235,997
-230,172	Short term borrowing	27	-248,872
-116,570	Short term creditors	31	-127,625
-2,317	Provisions		-2,518
-146	Capital grants and contributions received in advance	33	-1,572
-349,205	Current Liabilities		-380,587
-6,670	Provisions		-6,940
-537,695	Long term borrowing	27	-562,407
-598,506	Other long term liabilities	32	-804,895
-32,102	Capital grants and contributions received in advance	33	-27,657
-1,174,973	Long Term Liabilities		-1,401,899
530,593	Net Assets		519,719
145,015	Usable reserves	21	375,478
385,578	Unusable reserves	22	144,241
530,593	Total Reserves		519,719

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 (Section 151 Officer)

Date: XX-XXXX-2022

The purpose of this statement is explained in the Narrative Report (page 31).

Cash Flow Statement

CASH FLOW STATEMENT

2019-20 £000		2020-21 £000
165,764	Net Surplus (-) or Deficit (+) on the Provision of Services	-175,185
-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	-27,788
-294,945	Adjustments to the net deficit on the provision of services for non-cash movements	-134,622
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	10,741
81,154	Adjustments for items included in the deficit on the provision of services that are investing and financing activities	256,503
-48,027	Net Cashflows from Operating Activities	-53,304
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
154,784	Investing Activities	37,747
-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
-143,013	Financing Activities	-19,326
-36,256	Net Increase (-) or Decrease (+) in cash and cash equivalents	-34,883
21,459	Cash and Cash equivalents at the beginning of the reporting year	57,715
57,715	Cash and Cash equivalents at the end of the reporting year	92,598

The purpose of this statement is explained in the Narrative Report (page 32).

03. Notes to the Statements

DISCLOSURE NOTES

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General Accounting Policies and Judgements

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

- 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 2024-25 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).

General Accounting Policies and Judgements

To make this judgement the Council concluded that the substance of the arrangement with GCP for the City Deal grant effectively gave it control of the grant, even if the legal form of the arrangement does not. The Council also considered whether any conditions existed at the balance sheet date 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), and the likelihood of this funding being received by the Council. The Council concluded that no conditions existed regarding the receipt of the £200m (using the definition of 'conditions' required by the Code in relation to grants), and that the Council has reasonable assurance it will receive the grant based upon documentation issued by Central Government and past experience, and the legitimate expectation that arises from these. Therefore, in accordance with paragraph 2.3.1.2 of the CIPFA Code of Practice, the whole £200m grant income should be recognised in 2020-21.

- The Council has judged that Covid-19 grants received can be identified as being either principal or agent – no individual grants have been split into principal and agent elements. As a result, unless a grant was assessed as being 100% agent, it was identified as principal.

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 of Practice on Local Authority Accounting in the United Kingdom 2020/21 and have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31 March 2023, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

General Accounting Policies and Judgements

The Councils year-end reserve balances, as reported in these statements and compared to last year end are as follows:

Date	General Fund £m	Earmarked Reserves £m
31/3/2021	26.1	142.2 (note 20)
31/3/2020	17.8	80.1 (note 20)

The forecast level of general reserves and earmarked reserves at 31st March 2022 is £39.0m and £117.1m respectively, which is above the required minimum level for the General Fund as set out by the Chief Finance Officer at year-end of £19.4m. For 2022-23, Council approved a balanced budget on 8th February 2022.

Liquidity

The Council has undertaken cash flow modelling through the going concern period to 31 March 2023 which demonstrates the Council's ability to work within its Capital Financing Requirement (CFR) and cash management framework throughout the period. The only expectation of external borrowing is to support the Capital Programme, which is consistent with our plans and normal practice.

The key assumption within this forecast includes the achievement of £4.2m of savings in 2022-23. However, due to the low level of additional savings required, any potential inability to achieve these savings is not expected to significantly effect either the level of reserves or the remaining liquidity throughout the period.

Conclusion

On this basis, the Council have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

General Accounting Policies and Judgements

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 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
Property, Plant and Equipment	Asset valuations are completed on a 5 year rolling basis and values are reviewed annually to ensure they are not materially misstated.	In order to ensure that carrying values are kept in line with fair values in the interim, the Council 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.

General Accounting Policies and Judgements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	<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>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Notes 27 and 28 below.</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>
Pension Liability	<p>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>	<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"> • 1 year increase in member life expectancy would result in an increase in the liability of approximately 3%-5%; • 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £197m (10%); and • 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £182m (9%).

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

Schools converting to Academy status

Academies are publicly funded independent schools that were first introduced in 2000. A further 3 schools converted to Academy status or opened as Academies during 2021-22, and further conversions are expected to take place in future years. By the end of the 2021-22 financial year, local authority maintained schools with a current net book value totalling £13.8m will have converted to Academy status since the Balance Sheet date. The assets of these schools will be derecognised from the Council's Balance Sheet in 2021-22.

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 £36.3m 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, £5.8m of Infection Control and Testing grant, £4.4m of Local Council Tax Support grant, £3.1m from the Contain Outbreak Management Fund, £2.6m Enduring Transmission Grant and £2.1m of Local Authority Practical Support for Self Isolation.

General Accounting Policies and Judgements

Section 151 Officer and Chief Executive

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

The Chief Executive, Gillian Beasley, retired from the Council in December 2021. The Chief Executive role is now fulfilled by Stephen Moir from 21st February 2022.

Comprehensive Income and Expenditure

Statement Supporting Notes

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	265,772	40,144	305,915
92	187	279	Public Health	-15,802	158	-15,644
42,774	-19,567	23,207	Corporate Services & LGSS Managed	54,541	-7,082	47,459
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
360,874	194,159	555,033	Net Cost of Services	354,527	72,289	426,815
-381,716	-7,553	-389,269	Other Income and Expenditure	-408,431	-193,569	-602,000
-20,842	186,606	165,764	Surplus (-) or Deficit	-53,904	-121,280	-175,185
-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	-53,904		
-97,761			Closing General Fund Balance at 31 March	-168,285		

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	21,326	11,479	7,339	40,144
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
Net Cost of Services	48,449	16,501	7,339	72,289
Other Income and Expenditure	-215,227	11,488	10,170	-193,569
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-166,778	27,989	17,509	-121,280

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
	Expenditure	
313,991	Employee Benefits Expenses	308,886
590,513	Other Services Expenses	621,786
161,521	Depreciation, amortisation, impairment	70,348
47,350	Interest Payments	46,047
407	Precepts and Levies	416
35,619	Loss on the disposal of assets	22,212
1,149,401	Total Expenditure	1,069,695
	Income	
-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	-762,814
-983,638	Total Income	-1,244,880
165,763	Surplus (-) or Deficit (+) on the Provision of Services	-175,185

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
36,026 Total	22,628

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	2,178
5 Trading accounts	0
-4,705 Other investment income	-380
42,441 Total	38,034

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		2020-21
£000		£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
-467,736	Total	-662,662

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

- 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.

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

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

Comprehensive Income and Expenditure

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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 £9.2m 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
	Funding provided to the pooled budget by:	
-2,374	the Council	-2,420
-2,242	NHS Cambridgeshire and Peterborough CCG	-2,286
-4,616		-4,706
	Expenditure met from the pooled budget:	
2,374	the Council	2,472
2,242	NHS Cambridgeshire and Peterborough CCG	2,335
4,616		4,807
0 Net Surplus (-) or Deficit (+) on the Pooled Budget		101
0 Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget		52

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

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

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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

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

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
Chief Executive : Greater Cambridgeshire Partnership (R Stoppard)					
	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 Joint Executive Director: Place and Economy role commenced on 03/06/2019. The Joint Executive Director began a non-executive directorship at This Land in December 2019.
5. This role was replaced by the new Joint Executive Director: Place and Economy role on 03/06/2019 so only remuneration covering 01/04/2019 to 02/06/2019 is included in this note.
6. The Monitoring Officer responsibilities are fulfilled by the Director of Law and Governance.
7. This postholder is employed by Cambridgeshire County Council as the accountable body for the Greater Cambridgeshire Partnership. The partnership is a formal collaboration with ring-fenced funding and separate governance from the Council reporting to an Executive Board also comprising representatives from Cambridge City Council and South Cambs District Council.
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:

2019-20	Remuneration Banding	2020-21
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
309		366

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					Other				
Compulsory	Departures	Total Exit	Total Cost		Compulsory	Departures	Total Exit	Total Cost	
Redundancies	with Exit	Packages	of Exit		Redundancies	with Exit	Packages	of Exit	
No.	Package	No.	Packages	£000	No.	Package	No.	Packages	£000
23	46	69	359	£0 - £20,000	30	35	65	414	
1	12	13	362	£20,001 - £40,000	1	1	2	51	
2	1	3	143	£40,001 - £60,000	5	2	7	337	
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	
29	60	89	1,227	Total	37	39	76	943	

16. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2020-21, incurring costs of £943k (£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.

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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
122	142

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

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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			489,081
		-242,529			-263,588
		221,008			225,493
		-7,171			-16,620
		0			0
39,346	174,490	213,837	24,523	185,568	208,873
17	-290	-273	-10	0	-10
39,363	174,200	213,564	24,513	185,568	208,863
-52,948	0	-52,948	-53,863	0	-52,645
0	-177,235	-177,235	0	-182,581	-182,581
0	0	0	0	0	0
-13,585	-3,035	-16,619	-29,350	2,987	-26,363

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. Discussions are underway with the Department for Education (DfE) to manage the deficit and evidence plans to reduce spend. The in-year position is reported to the Schools Forum in the autumn term, and monitored by the Children & Young People's Committee throughout the year, alongside details of the

Comprehensive Income and Expenditure Statement Supporting Notes

strategies and work streams in place to reduce overall spend on the High Needs Block. Consideration will then need to be given to the DSG budget setting approach to be taken in 2022-23, subject to any national policy changes.

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
Adjustments Involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	48,150	0	0	-48,150
Revaluation losses on Property Plant and Equipment	10,689	0	0	-10,689
Movements in the fair value of Investment Properties	8,550	0	0	-8,550
Amortisation of intangible assets	2,960	0	0	-2,960
Capital grant and contributions applied	-72,418	0	0	72,418
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	24,874	0	0	-24,874
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-21,299	0	0	21,299
Capital expenditure charged against the general fund balance	-1,660	0	0	1,660
Other Adjustments				
Adjustments involving the Capital Grants Unapplied Account:				
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

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2020-21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:				
Capital Receipts received in year but not applied	-2,661	2,661	0	0
Capital Receipts used to fund capital expenditure	37	-1,900	0	1,863
Flexible use of capital receipts	1,532	-1,532	0	
Adjustments involving the Deferred Capital Receipts Reserve:				
Finance lease deferred capital receipt adjustment	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-47	0	0	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	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
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	10,217	0	0	-10,217
Adjustment involving the Unequal Pay Back Pay Adjustment Account:				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Reversal of previous capitalisation of Single Status costs	0	0	0	0
Adjustment involving the Dedicated Schools Grant Adjustment Account:				
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
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-2,404	0	0	2,404
Total Adjustments	-121,280	-771	160,709	-38,658

Movement In Reserves Statement

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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
Adjustments Involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-18,600	0	0	18,600
Capital Expenditure charged against the General Fund	-1,619	0	0	1,619
Other Adjustments				
Adjustments involving the Capital Grants Unapplied Account:				
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
Adjustments involving the Capital Receipts Reserve:				
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	
Adjustments involving the Deferred Capital Receipts Reserve:				
Capital Receipts achieved in year but not received	1	0	0	-1
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-47	0	0	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	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
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,730	0	0	-3,730
Adjustment involving the Unequal Pay Back Pay Adjustment Account:				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Reversal of previous capitalisation of Single Status costs	0	0	0	0
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,088	0	0	-2,088
Total Adjustments	186,606	-8,783	8,395	-186,218

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	33,629	68,448
Total	64,064	-30,384	46,410	80,090	16,620	-25,444	70,924	142,190

The Council created a transformation fund reserve financed from an adjustment to debt defrayment. The General Purposes Committee (now replaced by the Strategy and Resources 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

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 45).

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	556,497
-2,572	Financial Instruments Adjustment Account	-1,042
0	Financial Instruments Revaluation Reserve	-1,063
-491,615	Pensions Reserve	-700,671
-1,748	Collection Fund Adjustment Account	-11,963
-7,775	Accumulated Absences Account	-5,371
0	Dedicated Schools Grant Adjustment Account	-26,362
21,589	Deferred Capital Receipts Reserve	21,588
385,577		144,241

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 £000	2020-21 £000
539,129 Balance at 1 April	322,650
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
349,718 Surplus or Deficit on Revaluation of Long Term Assets not Posted to the Surplus or Deficit on the Provision of Services	317,239
-5,288 Difference between fair value depreciation and historical cost depreciation	-2,641
-21,780 Accumulated gains on assets sold or scrapped	-1,970
-27,068 Amount Written Off to the Capital Adjustment Account	-4,611
322,650 Balance at 31 March	312,628

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 £000	2020-21 £000
660,167	545,047
Balance at 1st April	
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
-47,470 Charges for depreciation or impairment of long-term assets	-48,150
-103,144 Revaluation gains reversing previous losses on Property, Plant and Equipment	-10,689
-1,396 Amortisation of intangible assets	-2,960
-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
-208,412	-90,101
Net written out amount of the cost of non-current assets consumed in the year	
Capital financing applied in the year	
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	-8,550
545,047	556,497
Balance at 31 March	

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 £000		2020-21 £000
-613,107	Balance at 1st April	-491,615
159,751	Re-measurement of net pension liability	-181,067
-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
-491,615	Balance at 31st March	-700,671

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
21,590 Balance at 1 April	21,589
-1 Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1
21,589 Balance at 31 March	21,588

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								
At 1st April 2020	742,763	23,947	1,037,350	635	2,803	38,713	1,846,211	117,777
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
At 31st March 2021	700,352	31,573	1,095,860	2,744	3,652	47,774	1,881,955	117,777
Accumulated Depreciation and Impairment								
At 1st April 2020	-33,039	-23,890	-173,133	0	-3	-24,822	-254,887	-60,971
Depreciation Charge	-9,004	-22	-27,711	0	-6	0	-36,743	-3,164
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
At 31st March 2021	-32,506	-31,538	-184,501	0	-3	-28,602	-277,150	-64,135
At 31st March 2021	667,846	35	911,359	2,744	3,649	19,172	1,604,805	53,642
At 31st March 2020	709,724	57	864,217	635	2,800	13,891	1,591,324	56,806

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								
At 1st April 2019	1,052,105	19,127	991,538	659	2,926	44,797	2,111,152	117,777
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
At 31st March 2020	742,763	23,947	1,037,350	635	2,803	38,713	1,846,211	117,777
Accumulated Depreciation and Impairment								
At 1st April 2019	-34,088	-19,048	-158,852	0	-5	-21,465	-233,458	-57,806
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
At 31st March 2020	-33,039	-23,890	-173,133	0	-3	-24,822	-254,887	-60,971
At 31st March 2020	709,724	57	864,217	635	2,800	13,891	1,591,324	56,806
At 31st March 2019	1,018,017	79	832,686	659	2,921	23,332	1,877,694	59,971

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 £641.9m. The figures included within the table below represent the remaining contract value.

Contracts with major commitments are:

Balance Sheet Supporting Notes

Expenditure approved and contracted		31-Mar-21
		£000
Schools		
WING Development - Cambridge	New construction	3,271
North West Fringe secondary	New construction	20,500
Highways		
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.	1,725
Highways Contract	To cover structural work, surfacing, road works and capital schemes for highways	567,498
Greater Cambridge Partnership schemes	Various schemes	1,654
King's Dyke	Design and construction to bypass the level crossing at King's Dyke, Whittlesey	9,413
Wisbech Town Centre Access Study	Design and Delivery of multiple highways schemes in the vicinity of Wisbech	4,964
Property		
Shire Hall Relocation	Construction of a new Civic Hub building	3,363
Building Maintenance	Building, Mechanical and Electrical Services	3,209
Energy		
Decarbonisation Fund	Optimisation of the energy efficiency of Cambridgeshire's public and community building portfolio	14,652
IT		
EastNet (CPSN Replacement)	Key network connectivity	7,809
Total		638,058

Balance Sheet Supporting Notes

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	Valued at Current Value as at:					Total
	Historical Cost	2016-17	2017-18	2018-19	2019-20	2020-21	
	£000	£000	£000	£000	£000	£000	£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
	1,175,206	64,109	21,043	16,112	246,830	358,655	1,881,955
Assets Held for Sale	0	0	284	89	0	909	1,282
Investment Properties	0	0	0	0	0	127,606	127,606
Total Held at Cost or Revaluation	1,175,206	64,109	21,327	16,201	246,830	487,170	2,010,843

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
-4,705	Total	-6,372

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	-8,550
0	Transfers to/from PPE	-1,203
137,359	Balance outstanding at year end	127,606

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
01-Apr-19	18,649	11	18,660
Additions during 2019-20	0	0	0
Disposals during 2019-20	0	0	0
Revaluations during 2019-20	350	0	350
31-Mar-20	18,999	11	19,010
Additions during 2020-21	2	0	2
Disposals during 2020-21	0	0	0
Revaluations during 2020-21	0	0	0
31-Mar-21	19,001	11	19,012

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.

2019-20	2020-21
£000	£000
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
128,761	267,868

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	31-Mar-21	31-Mar-20	31-Mar-21
	£000	£000	£000	£000
Investments:				
Financial assets through other comprehensive income	13,146	27,937	0	0
Financial assets at amortised cost	4,446	6,366	410	0
Total investments	17,592	34,303	410	0
Cash and cash equivalents:				
Cash and cash equivalents	0	0	57,715	92,598
Total cash and cash equivalents	0	0	57,715	92,598
Debtors:				
Financial assets at amortised cost	128,761	267,868	76,753	125,617
Total debtors	128,761	267,868	76,753	125,617
Borrowings:				
Financial liabilities at amortised cost	-537,695	-562,407	-230,172	-248,872
Total borrowings	-537,695	-562,407	-230,172	-248,872
Other liabilities:				
Other liabilities	-106,891	-104,224	-94,476	-113,145
Total other liabilities	-106,891	-104,224	-94,476	-113,145

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
Total expense in (Surplus)/ Deficit on the Provision of Services	34,559	0	0	34,559
Interest income	0	-9,811	0	-9,811
Total income in (Surplus)/ Deficit on the Provision of Services	0	-9,811	0	-9,811
Net gains(-)/losses(+)	0	0	-419	-419
Total income and expenditure in Other Comprehensive Income and Expenditure	0	0	-419	-419
Net (gain) / loss for the year	34,559	-9,811	-419	24,329

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

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	-110,477	-110,477
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
Total financial liabilities	-969,234	-1,041,191	-1,028,648	-1,223,479

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 £424.3m 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
Total financial assets	263,229	263,229	486,083	486,083
Long Term Equity Investments	13,146	13,146	27,937	27,937
Financial assets through other comprehensive income (FVOCI)	13,146	13,146	27,937	27,937

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

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 31/03/2021
	Level 2	Level 3	
Fair value measurements for:	£000	£000	£000
Surplus Assets	195	3,454	3,649
Assets Held for Sale	228	1,054	1,282
Investment Assets: Commercial	124,971	0	124,971
Investment Assets: Residential	377	2,168	2,545
Investment Assets: Land	0	90	90
Total	125,771	6,766	132,537

	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
Total	135,016	5,888	140,904

Balance Sheet Supporting Notes

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;

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

Balance Sheet Supporting Notes

Highest and Best Use

In estimating the fair value of the Council's Surplus Assets, Assets Held for Sale and Investment Properties, the highest and best use is their current use for most of the assets. However, for 9 assets their highest and best use is actually for an alternative use (15 assets in 2019-20). 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>	31-Mar-20	31-Mar-21
	£000	£000
Opening balance	7,631	5,888
Transfers into level 3	1,356	652
Transfers out of level 3	-926	0
Reclasses between PPE, AHFS and Investment Properties	-1,332	0
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	448	52
Total gains [or losses] for the period included in Surplus or deficit on revaluation of long-term assets	-335	180
Disposals	-942	0
Depreciation	-12	-6
Closing Balance	5,888	6,766

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 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
87,151	Total Short Term Debtors	141,386

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:

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

31. SHORT-TERM CREDITORS

31-Mar-20		31-Mar-21
£000		£000
-61,089	Trade creditors	-61,382
-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
-116,572	Total Short Term Creditors	-127,625

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	-700,671
-77 Long term finance lease (non-PFI)	-77
-106,814 Long term finance lease (PFI)	-104,147
-598,506	-804,895

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
Credited to taxation and non specific grant income	
0 Greater Cambridge City Deal Grant	182,721
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	8,585
101,657 Credited to taxation and non specific grant income	290,456

Balance Sheet Supporting Notes

2019-20	2020-21
£000	£000
Credited to services	
221,008 Dedicated schools grant	225,493
25,560 Public Health grant	27,248
19,367 Learning Disability Partnership (NHS pooled budget contribution)	20,531
16,112 Better Care Fund (NHS pooled budget contribution)	16,995
0 Greater Cambridge City Deal Grant (REFCUS)	17,279
12,401 Better Care Fund (MHCLG Grant)	14,725
8,362 Pupil premiums	9,749
8,738 Combined Authority Levy contribution	9,017
0 Teachers' Pension Employer Contribution Grant	5,199
4,468 Better Care Fund Financing (REFCUS)	5,070
3,746 Unaccompanied asylum seekers grant	4,322
4,280 Universal Infant Free School Meals funding	4,211
0 Children 0-5 PH Programme (PCC)	3,254
2,033 Adult education budget block grant	2,679
2,242 Integrated Community Equipment Service (NHS pooled budget contribution)	2,335
2,280 Primary schools sports funding	2,238
38,498 Other contributions	32,060
32,752 Other grants	15,449
Covid 19 Grants and Contributions	
0 Contain Outbreak Management Fund	15,311
0 Infection Control Grants	11,577
0 Covid 19 Sales, Fees and Charges Compensation	6,541
0 Other Ringfenced Covid 19 Grants	7,934
0 Test and Trace Service Support Grant	2,493
0 Covid 19 NHS Contributions	10,648
401,847 Total Credited to services	472,358
503,504 Grant Total	762,814

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
Current		
146	Grants	1,572
0	Section 106 contributions and Community Infrastructure levy	0
146		1,572
Long Term		
31,799	Section 106 contributions	27,482
303	Other contributions	175
32,102		27,657
32,248	Total	29,229

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
	Expenditure funded from capital:	
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
	Sources of finance:	
-19,606	Capital receipts	-1,863
-62,979	Government grants and other contributions	-85,279
-1,619	Direct revenue contributions	-1,660
	Sum set aside from revenue:	
-18,600	MRP/loans fund principal	-21,299
153,257	Increase in Capital Financing Requirement	22,618
	Explanation of movements in year:	
153,257	Increase in underlying need to borrowing (unsupported by government financial assistance)	22,618
153,257	Increase in Capital Financing Requirement	22,618

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 36)):

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

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
457	54	Total	493	54

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	
163,631	17,381	Total	162,143	16,323	

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

31-Mar-20		31-Mar-21
£000		£000
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
38,427	Total	36,028

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:

2019-20	Comprehensive Income and Expenditure Statement	2020-21		
£000		£000		
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		

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

Balance Sheet Supporting Notes

Projected future payments over the remaining life of the Waste 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	14,430	3,737	381	7,880	26,428
Within 2 to 5 years	61,487	14,140	1,933	34,746	112,306
Within 6 to 10 years	86,136	14,421	10,997	45,019	156,573
Within 11 to 15 years	94,665	5,491	27,454	44,759	172,369
Total	256,718	37,789	40,765	132,404	467,676

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

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

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.

Balance Sheet Supporting Notes

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

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

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

For 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
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	2,244
-3,944	PFI credits	-3,944

Balance Sheet Supporting Notes

31-Mar-20		31-Mar-21	Movement
£000		£000	£000
Assets			
42,375	Infrastructure	40,130	-2,245
Liabilities			
-1,682	Short term finance lease liability	-1,478	204
-38,606	Long term finance lease liability	-37,128	1,478
Reserves			
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
Total	47,713	9,395	38,605	38,754	134,467

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
41,550	Balance outstanding at end of year	39,868

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 £000	Comprehensive Income and Expenditure Statement	2020-21 £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 £000	Balance Sheet	31-Mar-21 £000	Movement £000
	Liabilities		
-662	Short term finance lease liability	-808	-146
-27,530	Long term finance lease liability	-26,722	808
	Reserves		
-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	1,314	484	2,159	1,133	5,090
Total	17,579	5,560	27,531	44,754	95,424

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
28,192	Balance outstanding at end of year	27,530

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 228).

Balance Sheet Supporting Notes

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 159. 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
Comprehensive Income and Expenditure Statement:		
Cost of services - service cost comprising:		
61,591	Current service cost	50,037
-1,668	Past service cost	113
-3,651	Gain (-) or loss (+) from settlements	-375
Financing and investment income and expenditure:		
15,009	Net interest expense	11,488
71,281	Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	61,263
Other post-employment benefits charged to the comprehensive income and expenditure statement:		
Remeasurement of the net defined benefit liability comprising:		
102,621	Return on plan assets (excluding the amount included in net interest)	-227,406
-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
-88,470	Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	242,330
Movement in Reserves Statement:		
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
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
-33,022	Employers' contributions payable to scheme	-33,274
45,594	Retirement Benefits payable to pensioners	43,555

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	1,251,560
-491,616		-700,672

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

2019-20		2020-21
£000		£000
1,085,857	Opening Fair Value of Schemes	1,002,860
26,017	Interest income	23,030
	Remeasurement gains (+) or losses (-):	
-102,621	Return on plan assets (excluding the amount included in the net interest expense)	227,406
-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
1,002,860		1,251,561

Balance Sheet Supporting Notes

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

2019-20		2020-21
£000		£000
1,698,964	Opening Defined Benefit Obligation	1,494,475
61,591	Current service cost	50,037
41,026	Interest cost	34,518
8,668	Contribution by scheme participants	8,913
	Remeasurement gains (-) or losses (+):	
-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
1,494,475		1,952,232

Balance Sheet Supporting Notes

Local Government Pension Scheme assets comprise:

2019-20		2020-21
£000		£000
15,134	Cash and Cash Equivalents	34,384
82,254	Private equity	116,505
51,918	Debt securities (bonds) - Government	50,516
	Equity instruments (by industry type):	
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
	Investment funds and unit trusts:	
607,866	Equities	745,092
68,014	Bonds	138,523
90,420	Infrastructure	105,014
0	Other	0
766,300		988,629
	Derivatives:	
0	Inflation	0
0	Interest rate	0
0	Foreign exchange	0
12,200	Other	-14,806
12,200		-14,806
	Property:	
75,039	UK	76,320
14	Overseas	12
75,053		76,332
1,002,859		1,251,560

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.

Balance Sheet Supporting Notes

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

	Impact on the Defined Benefit Obligation in the Scheme £000
0.5% decrease in inflation/discount rate	37,764
0.5% increase in salary rate	2,277
0.5% increase in pension increase rate	35,094

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 £15.2m to Teachers' Pensions in respect of teachers' retirement benefits (2019-20 £13.0m). There were £1.7m 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	15,169
5,660	Employee contributions	5,770
18,679		20,939

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

- 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

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
767,866 Total		100%	811,279

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

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 received a loan of £300k from the Council during 2019-20 towards a major building renovation project, with the balance to be repaid at 31 March 2021 being £289k. 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. During 2020-21 the Council awarded a grant to the project, with £218k paid to the project during the year.

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

Other Supporting Notes

Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2021:

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 (now West Northamptonshire 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. After the balance sheet date the NCC holding was divided equally between West Northamptonshire Council and North Northamptonshire Council, NCC's successors following local government reorganisation.

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.

Other Supporting Notes

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. 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 31st 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.

Other Supporting Notes

During 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.

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 146).

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.

Other Supporting Notes

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.

Swaffham Prior Community Heat Network Ltd

The Council incorporated Swaffham Prior Community Heat Network Limited on 19 March 2021 as part of a project to provide a more sustainable heating source for Swaffham Prior in East Cambridgeshire, a village currently dependent on oil. Further details are available on [the heat network's website](#).

The company had no transactions as at 31 March 2021.

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 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

Other Supporting Notes

the eventuality that legal action arises as a result of this dispute. The issues involved in this matter are complex. As a result, no amounts have been included in the accounts to cover the potential liabilities associated with this action.

Other Supporting Notes

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

Cambridgeshire Archives

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

A catalogue of the collection is available publically through the internet and contains details of at least 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.

Other Supporting Notes

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.

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.

Other Supporting Notes

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.

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.

Other Supporting Notes

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

There are chains of office attached to the positions of Chair and Vice Chair 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

GROUP ACCOUNTS

FOREWORD

Cambridgeshire County Council established a wholly owned housing company in order to derive a financial return, which was incorporated on 17 June 2016. The underlying objective of creating a commercial vehicle of this nature is to provide new revenue sources to support the delivery of front line services to Cambridgeshire residents. From 14 February 2018, the company was renamed 'This Land'. Previously, the company was known as Cambridgeshire Housing & Investment Company but has now rebranded and changed its name at Companies House.

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

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

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

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

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

Group Accounts and Supporting Notes

GROUP 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		£000	£000	£000	
106,042	-37,574	68,468	Place and Economy	111,093	-36,658	74,435	
852,913	-410,261	442,652	People and Communities	760,593	-454,678	305,915	
27,659	-27,380	279	Public Health	34,414	-50,058	-15,644	
28,889	-5,682	23,207	Corporate Services & LGSS Managed	58,788	-11,329	47,459	
35,749	-12,947	22,802	Commercial & Investments	42,817	-30,269	12,548	
17,392	-7,621	9,771	LGSS Operational	1,994	-2,200	-206	
1,068,644	-501,465	567,179	Cost Of Services	1,009,699	-585,192	424,507	
36,028	0	36,028	Other operating expenditure	22,623	0	22,623	
56,867	-8,024	48,843	Financing and investment income/ expenditure	54,806	-8,790	46,016	
0	-467,736	-467,736	Taxation and Non-Specific Grant Income	0	-662,662	-662,662	
		184,314	Surplus (-) or Deficit on Provision of Services			-169,516	
		-18,965	Surplus on revaluation of Property, Plant and Equipment			-33,910	
		208,376	Impairment and revaluation losses charged to the Revaluation Reserve			39,321	
		768	Surplus (-) or deficit (+) on financial assets measured at fair value through other comprehensive income			-419	
		-159,751	Re-measurement of net pension benefit/ liability			181,067	
		30,428	Other Comprehensive Income and Expenditure			186,059	
		214,742	Total Comprehensive Income (-) and Expenditure			16,543	

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 30).

Group Accounts and Supporting Notes

GROUP BALANCE SHEET

31-Mar-20		31-Mar-21
£000		£000
1,591,535	Property, Plant and Equipment	1,604,849
19,010	Heritage Assets	19,012
139,811	Investment Property	130,082
13,905	Intangible Assets	12,614
13,641	Long Term Investments	28,452
32,284	Long Term Debtors	152,003
1,810,186	Long Term Assets	1,947,012
410	Short Term Investments	0
745	Assets Held for Sale	1,282
79,997	Inventories/WIP	74,061
87,422	Short Term Debtors	143,527
60,238	Cash and Cash Equivalents	110,931
228,812	Current Assets	329,801

Group Accounts and Supporting Notes

GROUP BALANCE SHEET CONTINUED

31-Mar-20		31-Mar-20
£000		£000
-230,172	Short Term Borrowing	-248,872
-124,652	Short Term Creditors	-131,757
-2,317	Provisions	-2,518
-146	Capital Grants and Contributions Receipts in Advance	-1,572
-357,287	Current Liabilities	-384,719
-6,670	Provisions	-6,940
-537,695	Long Term Borrowing	-562,407
-598,506	Other Long Term Liabilities	-804,895
-32,102	Capital Grants and Contributions Receipts in Advance	-27,657
-1,174,973	Long Term Liabilities	-1,401,899
506,738	Net Assets	490,195
121,160	Usable Reserves	345,955
385,578	Unusable Reserves	144,240
506,738	Total Reserves	490,195

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 31).

Group Accounts and Supporting Notes

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund *	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total	Unusable Reserves Total	Reserves Total
	£000	£000	£000	£000	£000	£000
Balance at 1-Apr-19	71,614	20,415	27,228	119,257	602,223	721,480
<i>Movement in 2019-20</i>						
Total comprehensive income and expenditure	-184,314	0	0	-184,314	-30,428	-214,742
Adjustments between accounting and funding basis under regulations	186,606	-8,783	8,395	186,218	-186,218	0
Increase (+) or decrease (-) in 2019-20	2,292	-8,783	8,395	1,904	-216,646	-214,742
Balance at 31-Mar-20	73,906	11,632	35,623	121,161	385,577	506,738
2020-21 Statutory opening balance adjustment for DSG deficit	16,620	0	0	16,620	-16,620	0
Adjusted Balance at 1-Apr-20	90,526	11,632	35,623	137,781	368,957	506,738
<i>Movement in 2020-21</i>						
Total comprehensive income and expenditure	169,516	0	0	169,516	-186,059	-16,543
Adjustments between accounting and funding basis under regulations	-121,280	-771	160,709	38,658	-38,658	0
Increase (+) or decrease (-) in 2020-21	48,236	-771	160,709	208,174	-224,717	-16,543
Balance at 31-Mar-21	138,762	10,861	196,332	345,955	144,240	490,195

* General Fund balances include earmarked reserves

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 30).

Group Accounts and Supporting Notes

GROUP CASH FLOW STATEMENT

2019-20 £000		2020-21 £000
184,314	Net surplus (-) or deficit (+) on the provision of services	-169,516
-39,594	Depreciation	-36,983
-118,899	Impairment and downward valuations	-22,095
-1,396	Amortisation	-2,961
-22,818	Increase (-)/ decrease in creditors	-20,459
-23,130	Increase/ decrease (-) in debtors	34,045
1,754	Increase/ decrease (-) in inventories	-5,812
-38,259	Movement in pension liability (difference between employer's contributions paid and IAS19 adjustments)	-27,989
-49,152	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-24,893
-19,143	Other non-cash items charged to the deficit on the provision of services	-27,929
-310,637	Adjustments to the net deficit on the provision of services for non-cash movements	-135,076
0	Proceeds from short-term and long-term investments	0
13,531	Proceeds from the sale of property, plant and equipment	2,686
71,373	Grants for financing capital expenditure	243,101
-3,750	Any other items for which the cash effects are investing or financing activities	10,741
81,154	Adjustments for items included in the deficit on the provision of services that are investing and financing activities	256,528
-45,169	Net cash flows from Operating Activities	-48,064

Group Accounts and Supporting Notes

GROUP CASH FLOW CONTINUED

2019-20		2020-21
£000		£000
216,207	Purchase of property, plant and equipment	112,704
113,595	Purchase of short-term and long-term investments	14,520
2,085	Other payments for investing activities	372
-110,000	Proceeds from short-term and long-term investments	0
-13,547	Proceeds from the sale of property, plant and equipment	-2,686
-48,433	Capital Grants Received	-89,816
-8,337	Other receipts from investing activities	-18,354
151,570	Investing Activities	16,740
-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)	4,772
273,327	Repayments of short and long-term borrowing	222,232
18,014	Other payments for financing activities	24,627
-143,013	Financing Activities	-19,369
-36,612	Net increase (-) or decrease (+) in cash and cash equivalents	-50,693
23,626	Cash and cash equivalents at the beginning of the reporting year	60,238
60,238	Cash and cash equivalents at the end of the reporting year	110,931

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 32).

Group Accounts and Supporting Notes

NOTES TO THE GROUP ACCOUNTS

1. GROUP BOUNDARY

This Land Limited was incorporated on 17 June 2016 (as Cambridgeshire Housing and Investment Company Limited).

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

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

2. BASIS OF CONSOLIDATION

The financial statements of This Land Limited have been consolidated with those of the Council on a line by line basis; which has eliminated balances, transactions, income and expenses between the Council and the subsidiary. The financial period for This Land Limited was the 15 months ending on 31st March, as they are in the process of changing their financial year to match that of the Council; the following documents have been used in the consolidation for the period 1 April 2020 to 31 March 2021:

- This Land Limited consolidated Financial Statements for the period ended 31 March 2021 (apportioned for 12 months);
- This Land Limited consolidated management accounts for the period 1 January 2020 to 31 March 2021 (to ensure accurate apportionments).

3. BUSINESS ACTIVITIES OF THE SUBSIDIARIES

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

Group Accounts and Supporting Notes

4. ACCOUNTING POLICIES

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

- **Deferred taxation**

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

Group Accounts and Supporting Notes

5. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2019-20		2020-21
£000		£000
	Expenditure	
315,701	Employee Benefits Expenses	310,410
593,060	Other Services Expenses	637,252
0	Support Service Recharges	0
169,400	Depreciation, amortisation, impairment	70,587
47,350	Interest Payments	46,256
407	Precepts and Levies	416
35,621	Loss on the disposal of assets	22,207
1,161,539	Total Expenditure	1,087,128
	Income	
-99,618	Fees, charges and other service income	-112,834
0	Gain on the disposal of assets	0
-8,024	Interest and Investment Income	-8,790
-366,079	Income from Council Tax and Non-domestic rates	-372,206
-503,505	Government Grants and Contributions	-762,814
-977,226	Total Income	-1,256,644
184,313	Surplus (-) or Deficit (+) on the Provision of Services	-169,516

Group Accounts and Supporting Notes

6. LONG-TERM DEBTORS

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

2019-20		2020-21
£000		£000
21,587	Long term finance lease receivable	21,586
10,697	Other	130,417
32,284	Total	152,003

Group Accounts and Supporting Notes

7. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried on the combined Balance Sheets of the group. The main changes from the single entity accounts relate to the Cash & Cash Equivalents and current and long-term debtors as these transactions have been eliminated as part of the production of the draft accounts.

	Long-term		Current	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	£000	£000	£000	£000
Investments:				
Financial assets through other comprehensive income	13,146	27,937	0	0
Financial assets at amortised cost	495	515	410	0
Total investments	13,641	28,452	410	0
Cash and cash equivalents:				
Cash and cash equivalents	0	0	60,238	110,931
Total cash and cash equivalents	0	0	60,238	110,931
Debtors:				
Financial assets at amortised cost	32,284	152,003	77,024	127,758
Total debtors	32,284	152,003	77,024	127,758
Borrowings:				
Financial liabilities at amortised cost	-537,695	-562,407	-230,172	-248,872
Total borrowings	-537,695	-562,407	-230,172	-248,872
Other liabilities:				
Other liabilities	-106,891	-104,224	-102,558	-117,277
Total other liabilities	-106,891	-104,224	-102,558	-117,277

Group Accounts and Supporting Notes

8. CASH AND CASH EQUIVALENTS

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

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

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

31-Mar-20		31-Mar-21
£000		£000
21,114	Cash	55,160
39,124	Cash equivalents	55,771
60,238	Total Cash and Cash Equivalents	110,931

Pension Fund and Supporting Notes

PENSION FUND ACCOUNTS

FUND ACCOUNT

31-Mar-20 £000	Notes	31-Mar-21 £000
Dealings with members, employers and others directly involved in the fund:		
126,471 Contributions	Note 7	154,534
6,704 Transfers in from other pension funds	Note 8	22,232
133,175		176,766
-107,863 Benefits	Note 9	-109,596
-10,119 Payments to and on account of leavers	Note 10	-11,632
-117,982		-121,228
15,193 Net additions/(withdrawals) from dealing with members		55,538
-19,004 Management expenses	Note 11	-22,690
-3,811 Net additions/(withdrawals) including fund management expenses		32,848
Returns on investments:		
34,447 Investment income	Note 13	31,406
-2 Taxes on income		0
-225,559 Profit and (losses) on disposal of investments and changes in the value of investments	Notes 14a and 17b	836,312
-191,114 Net return on investments		867,718
-194,925 Net increase/(decrease) in the net assets available for benefits during the year		900,566
3,192,594 Opening net assets of the scheme		2,997,669
2,997,669 Closing net assets of the scheme		3,898,235

Notes on pages 161 to 205 form part of the financial statements.

Pension Fund and Supporting Notes

NET ASSET STATEMENT

31-Mar-20			31-Mar-21
£000		Notes	£000
3,081,595	Investment assets		3,913,043
-101,964	Investment liabilities		-48,160
2,979,631	Total net investments	Note 14	3,864,883
27,209	Current assets	Note 21	39,679
-9,171	Current liabilities	Note 22	-6,327
18,038	Net Current Assets		33,352
2,997,669	Closing net assets of the scheme	Note 17a	3,898,235

Notes on pages 161 to 205 form part of the financial statements.

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

Pension Fund and Supporting Notes

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2020-21 on pages 1 to 43 and the underlying statutory powers underpinning the scheme.

General

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

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

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

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Cambridgeshire Pension Fund include:

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

Pension Fund and Supporting Notes

- Resolution/Designated bodies – These are organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS) Parish/Town Council are under this category.

As at 31 March 2021 there was 217 (2020: 197) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-20	31-Mar-21
Number of employers with active members	197	217

The Fund has over 89,000 individual members, as detailed below:

Number of employees in scheme:	31-Mar-20	31-Mar-21
County council	10,550	9,483
Other employers	19,872	19,228
Total	30,422	28,711

Number of Pensioners:		
County council	8,724	8,861
Other employers	10,916	11,519
Total	19,640	20,380

Deferred pensioners:		
County council	13,473	13,793
Other employers	15,986	17,112
Total	29,459	30,905

Undecided Leavers:		
County council	2,400	4,072
Other employers	3,844	5,339
Total	6,244	9,411

Total members	85,765	89,407
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Pension Fund and Supporting Notes

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2020. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 5.7% and 31.7% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

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

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

Pension Fund and Supporting Notes

Career Average Revalued Earnings (CARE)

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

Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Full Guide which can be found in the member section on the Pension's Fund website. [Member - Pension Details](#)

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2020-21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

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

Pension Fund and Supporting Notes

Going Concern

The Funding Level as per the recent triennial valuation exercise (March 2019) was 99.7%. The Funding Level at year ending March 2021 was 108%.

The investment return target as per the Funding Valuation Statement is 4.1%. The actual annual investment return for March 2021 was 26.5% and the Fund value had increased to £3.868 billion, meaning the fund has increase by £900.6 million during the year.

There are 501 individual active employers as at March 2021. All employers are paying their contributions as per the rates and adjustment certificate. No employer has deferred their payments.

At 31 March 2021 the Pension Fund has 59.6% of its investments allocated to equities and 13.5% allocated to Bonds, with £90.8 million in cash, which are all assets that could be liquidated quickly to pay benefits should the need arise.

The Pension Fund is satisfied that it is sufficiently liquid to conclude that it is a going concern, since the value of pension fund assets that can be liquidated at short notice if needed is £2.9 billion which significantly exceeds the annual expenditure of the fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

Contribution Income

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

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

Pension Fund and Supporting Notes

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

Transfers to and from Other Schemes

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

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

Pension Fund and Supporting Notes

iv) Movement in the net market value of investments

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

Stock lending

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

Fund Account – Expense Items

Benefits Payable

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

Taxation

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

Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA’s Accounting for Local Government Pension Scheme Management Expenses (2016).

Pension Fund and Supporting Notes

Administrative Expenses

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

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis.

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

Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

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

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2020-21, £226k of fees are based upon such estimates (2019-20: £406K). In addition, manager fees deducted from pooled funds of £16.8m (2019-20: £10.6m) are estimated based upon information received from fund managers.

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

Pension Fund and Supporting Notes

Net Assets Statement

Financial Assets

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

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

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

Foreign Currency Transactions

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

Derivatives

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

Cash and Cash Equivalents

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

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

Pension Fund and Supporting Notes

Financial Liabilities

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

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 20).

Additional Voluntary Contributions

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

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

Contingent Assets and Liabilities

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

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

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

Pension Fund and Supporting Notes

Accounting Standards Issued, not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted. There are no such standards which would materially impact the Fund.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

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

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

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Fund and Supporting Notes

- **Actuarial Present Value of Promised Retirement Benefits**

Uncertainties: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions: The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £614m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £43m, and a 1 year increase in assumed life expectancy would increase the liability by approximately 3-5%. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.

- **Cambridge and Counties Bank**

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

Effect if actual results differ from assumptions: The investment in the financial statements is £76.0m. There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £72.8m to £79.3m. The mid-point of this valuation range has been applied within the Fund's accounts.

- **Other Private Equity and Infrastructure**

Uncertainties: All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.

Pension Fund and Supporting Notes

Effect if actual results differ from assumptions: Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £612.3m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 23.5%, which indicates that Other private equity and infrastructure values may range from £756.2m to £468.4m.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2020, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category:

31-Mar-20		31-Mar-21
£000		£000
27,710	Employees' contributions	29,081
	Employers' contributions:	
86,404	Normal contributions	89,914
12,357	Deficit recovery contributions	35,539
98,761	Total employers' contributions	125,453
126,471		154,534

Pension Fund and Supporting Notes

By Authority:

31-Mar-20	31-Mar-21
£000	£000
27,237 Administering authority	28,127
92,321 Scheduled bodies	120,606
6,913 Admitted bodies	5,801
126,471	154,534

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-20	31-Mar-21
£000	£000
6,704 Individual transfers	6,750
0 Group transfers	15,482
6,704	22,232

9. BENEFITS PAYABLE

By Category:

31-Mar-20	31-Mar-21
£000	£000
88,520 Pensions	92,311
16,162 Commutation and lump sum retirement benefits	14,081
3,181 Lump sum death benefits	3,204
107,863	109,596

Pension Fund and Supporting Notes

By Authority:

31-Mar-20	31-Mar-21
£000	£000
35,395 Administering authority	35,867
63,221 Scheduled bodies	64,819
9,247 Admitted bodies	8,910
107,863	109,596

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-20	31-Mar-21
£000	£000
248 Refunds to members leaving service	998
- Group transfers	5,113
9,871 Individual transfers	5,521
10,119	11,632

11. MANAGEMENT EXPENSES

31-Mar-20	31-Mar-21
£000	£000
3,415 Administrative costs	2,726
14,673 Investment management expenses	19,230
916 Oversight and governance costs *	734
19,004	22,690

*Fees payable to External Auditors, included within Oversight and Governance costs were £17k during the year (2019-20 £17k plus £15k fee scale variations paid during 2021-22).

Pension Fund and Supporting Notes

12. INVESTMENT MANAGEMENT EXPENSES

	Management fees	Performance related fees	Transaction costs	Other costs	Total
	£000	£000	£000	£000	£000
2020/21					
Bonds	175	-	-	-	175
Equities	-	-	-	-	-
Pooled investments	7,930	-	16	338	8,284
Pooled property investments	632	-	261	3	896
Private Equity	5,021	3,092	-	1762	9,875
Custody Fees	-	-	-	-	-
Total	13,758	3,092	277	2,103	19,230

	Management fees	Performance related fees	Transaction costs	Other costs	Total
	£000	£000	£000	£000	£000
2019/20					
Bonds	207	-	-	-	207
Equities	757	-	122	-	879
Pooled Investments	7,200	-	-	440	7,640
Pooled property investments	508	-	334	15	857
Private equity	3,527	1,175	-	371	5,073
Custody fees	-	-	-	17	17
Total	12,199	1,175	456	843	14,673

13. INVESTMENT INCOME

31-Mar-20	31-Mar-21
£000	£000
494 Income from bonds	526
14,865 Income from equities	3
4,807 Pooled investments – unit trusts and other managed funds	11,975
8,000 Pooled Property Investments	7,859
5,649 Private equity/infrastructure income	10,524
561 Interest on cash deposits	519
71 Other – securities lending income	-
34,447	31,406

Pension Fund and Supporting Notes

14. INVESTMENTS

31-Mar-20	31-Mar-21
£000	£000
Investment assets	
155,686 Bonds	156,972
1 Equities	0
2,029,182 Pooled investments	2,761,795
225,063 Pooled property investments	237,190
500,810 Private equity/infrastructure	688,334
31,585 Cash deposits	66,353
138,546 Derivatives contracts: Options	2,152
722 Investment income due	247
3,081,595 Total investment assets	3,913,043
Investment liabilities	
-101,964 Derivatives contracts: Options	-48,160
-101,964 Total investment liabilities	-48,160
2,979,631 Net investment assets	3,864,883

Pension Fund and Supporting Notes

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

	Market value 01-Apr-20	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-21
	£000	£000	£000	£000	£000
Bonds	155,686	0	0	1,286	156,972
Equities	1	0	-1	0	0
Pooled investments	2,029,182	420,916	-499,538	811,235	2,761,795
Pooled property investments	225,063	15,821	-4,215	521	237,190
Private equity/infrastructure	500,810	137,005	-55,395	105,914	688,334
	2,910,742	573,742	-559,149	918,956	3,844,291
Derivative contracts:					
• Purchased/written options	36,582	0	0	-82,590	-46,008
	2,947,324	573,742	-559,149	836,366	3,798,283
Other investment balances:					
• Cash deposits	31,585				66,353
• Investment income due	722				247
Net investment assets	2,979,631				3,864,883

Pension Fund and Supporting Notes

14(a). Reconciliation of movements in investments and derivatives (continued)

	Market value 01-Apr-19	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-20
	£000	£000	£000	£000	£000
Bonds	79,206	76,002	-1,127	1,605	155,686
Equities	377,322	589,073	-928,370	-38,024	1
Pooled investments	2,086,961	521,533	-353,894	-225,418	2,029,182
Pooled property investments	236,858	11,362	-16,219	-6,938	225,063
Private equity/infrastructure	363,874	175,160	-43,927	5,703	500,810
	3,144,221	1,373,130	-1,343,537	-263,072	2,910,742
Derivative contracts:					
• Forward currency contracts	0	3,846	-316	-3,530	0
• Purchased/written options	0	-	0	36,582	36,582
	3,144,221	1,376,976	-1,343,853	-230,020	2,947,324
Other investment balances:*					
• Cash deposits	27,593			4,301	31,585
• Investment income due	3,992			0	722
• Amount receivable for sales	1,910			0	0
• Spot FX contracts	0			160	0
• Amounts payable for purchases of investments	-345			0	0
Net investment assets*	3,177,371			-225,559	2,979,631

*Other investment balances and Net investment assets do not add across as purchases, sales and other movements (£0.8m) are not disclosed here, in accordance with CIPFA guidance

Pension Fund and Supporting Notes

14(b). Investments analysed by fund manager

Market value 31-Mar-20			Market value 31-Mar-21	
£000	% of net investment assets		£000	% of net investment assets
Investments managed under Pool Governance:				
969,299	32.50%	Link Fund Solutions	1,358,174	35.1%
853,507	28.60%	UBS Global Asset Management	957,079	24.8%
1,822,806	61.10%	Total Investments managed under Pool Governance	2,315,253	59.9%
Investments managed outside Pool Governance:				
86,935	2.9%	Adams Street Partners	131,898	3.4%
19,193	0.6%	Allianz Global Investors	19,736	0.5%
40,979	1.4%	AMP Capital	45,488	1.2%
0	0.0%	BlueBay Asset Management	183,388	4.7%
58,000	2.0%	Cambridge and Counties Bank	76,000	2.0%
15,000	0.5%	Cambridge Building Society	15,000	0.4%
37,172	1.2%	Equitix Investment Management	32,176	0.8%
4,928	0.2%	Foresight Group	15,225	0.4%
69,438	2.3%	HarbourVest Partners (UK)	123,900	3.2%
60,937	2.0%	IFM Infrastructure	62,786	1.6%
0	0.0%	JP Morgan	59,218	1.5%
55,411	1.9%	M&G Investments	247,048	6.4%
55,022	1.9%	M&G Real Estate	54,400	1.5%
39,246	1.3%	Partners Group (UK)	41,798	1.1%
192,269	6.5%	River and Mercantile Group	141,770	3.7%
373,605	12.5%	Schroders Investment Management	252,654	6.5%
13,958	0.5%	UBS Infrastructure	10,710	0.3%
34,732	1.2%	Cash with custodian	36,435	0.9%
1,156,825	38.9%	Total Investments managed outside Pool Governance	1,549,630	40.1%
2,979,631	100.0%	Net investment assets	3,864,883	100.0%

All the above companies are registered in the United Kingdom.

Pension Fund and Supporting Notes

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

Security	31-Mar-20 £000	% of total fund %	31-Mar-21 £000	% of total fund %
LF ACCESS Global Stock - Dodge and Cox	316,598	10.6%	486,668	12.5%
LF ACCESS Global Equity - J O Hambro	386,254	12.9%	509,482	13.1%
LF ACCESS Global Equity - Longview	266,447	8.9%	362,023	9.3%
UBS Asset Management Life USA Equity Tracker Hedged	186,591	6.2%	209,901	5.4%
	1,155,890		1,568,074	

15. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

- Futures**

There were no outstanding exchange traded future contracts at 31 March 2021 or 31 March 2020.

- Forward foreign currency**

The Fund's Investment Managers may enter into forward foreign currency contracts to secure current exchange rates in order to reduce the volatility associated with fluctuating currency rates.

Pension Fund and Supporting Notes

There were no open forward currency contracts at 31 March 2021 or 31 March 2020. There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

- Options

In order to minimise the risk of loss of value through adverse equity price movements, equity option contracts can protect the Fund from falls in value in its main investment markets, principally the UK, USA and Europe.

Investment underlying option contract	Expires	Put/Call	Notional Holdings	31-Mar-20	Notional Holdings	31-Mar-21
Assets				£000		£000
Equity purchased	Over three months	Put	172,896	138,545	158,099	2,152
Total assets				138,545		2,152
Liabilities						
Equity written	One to three months	Put	0	0	-203,057	-285
Equity written	Over three months	Put	-222,053	-98,506	0	0
Equity written	One to three months	Call	0	0	-154,327	-47,875
Equity written	Over three months	Call	-168,826	-3,457	0	0
Total liabilities				-101,963		-48,160
Net purchased/written options				36,582		-46,008

Pension Fund and Supporting Notes

16. FAIR VALUE

Valuation of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

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

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

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Pension Fund and Supporting Notes

16(a). Fair value hierarchy

The following tables provides an analysis of the financial assets at fair value through profit and loss of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Value at March 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Bonds	156,972	0	0	156,972
Equities	0	0	0	0
Pooled Investments	16,106	2,745,689	0	2,761,795
Pooled Property Investments	0	0	237,190	237,190
Private Equity/Infrastructure	0	0	688,334	688,334
Derivatives	0	2,152	0	2,152
Net Investment Assets	173,078	2,747,841	925,524	3,846,443

Value at March 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Bonds	0	155,686	0	155,686
Equities	1	0	0	1
Pooled Investments	2,422	2,026,760	0	2,029,182
Pooled Property Investments	0	0	225,063	225,063
Private Equity/Infrastructure	0	55,023	445,787	500,810
Derivatives	0	138,546	0	138,546
Net Investment Assets	2,423	2,376,015	670,850	3,049,288

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Pension Fund and Supporting Notes

The fair valuation of each class of investment asset is set out below.

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

Pension Fund and Supporting Notes

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Asset Type	Market Value as at 31-Mar-21	Assessed valuation range (+/-)	Value on Increase	Value on Decrease
	£000		£000	£000
Private Equity	688,334	23.5%	850,092	526,576
Property	237,190	14.2%	270,871	203,509
Total Assets	925,524		1,120,963	730,085

Pension Fund and Supporting Notes

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

Period 2020-21	Market value 01-Apr-20	Transfers in/out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31-Mar-21
	£000	£000	£000	£000	£000	£000	£000
Pooled property investments	225,063	0	15,821	-4,215	1,812	-1,291	237,190
Private equity and infrastructure - equity	58,000	0	0	0	18,000	0	76,000
Private equity and infrastructure - other	387,787	55,000	137,005	-55,395	64,974	22,963	612,334
Total	670,850	55,000	152,826	-59,610	84,786	21,672	925,524

Pension Fund and Supporting Notes

17. FINANCIAL INSTRUMENTS

17(a). Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

No financial assets were reclassified during the year.

31-Mar-20			31-Mar-21		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets					
155,686	0	0	156,972	0	0
1	0	0	0	0	0
2,029,182	0	0	2,761,795	0	0
225,063	0	0	237,190	0	0
500,810	0	0	688,334	0	0
138,546	0	0	2,152	0	0
0	40,661	0	0	90,818	0
0	722	0	0	247	0
0	18,133	0	0	15,214	0
3,049,288	59,516	0	3,846,443	106,279	0
Financial liabilities					
0	0	-101,964	0	0	-48,160
0	0	0	0	0	0
0	0	-9,171	0	0	-6,327
0	0	-111,135	0	0	-54,487
3,049,288	59,516	-111,135	3,846,443	106,279	-54,487
2,997,669 Total					3,898,235

Pension Fund and Supporting Notes

17(b). Net Gains and Losses on Financial Instruments

31-Mar-20 £000		31-Mar-21 £000
Financial assets:		
-263,072	Fair value through profit and loss	918,956
4,461	Amortised cost – realised gains on de-recognition of assets	5
Financial liabilities:		
33,052	Fair value through profit and loss	-82,590
0	Amortised cost – realised losses on de-recognition of assets	-59
-225,559	Total gains/(losses)	836,312

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

Pension Fund and Supporting Notes

a) Market risk

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

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

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

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. The Fund entered into derivative contracts to manage the overweight in equities compared to the strategic allocation.

Other price risk

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

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

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

Pension Fund and Supporting Notes

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2020-21 reporting period.

The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	16.7%
Global equities	17.4%
Index linked bonds	7.5%
Pooled fixed interest bonds	8.0%
Multi asset credit	6.2%
Property	14.2%
Alternatives	23.5%
Cash and other investment balances	0.3%

Pension Fund and Supporting Notes

Had the market price of the fund investments increased / decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

31-Mar-21	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-21	Change	Increase	Decrease
	£000		£000	£000
UK equities	85,032	16.7%	99,232	70,832
Global equities	2,230,221	17.4%	2,618,279	1,842,163
Index linked bonds	156,972	7.5%	168,745	145,199
Pooled fixed interest bonds	64,500	8.0%	69,660	59,340
Multi asset credit	365,936	6.2%	388,624	343,248
Property	237,190	14.2%	270,871	203,509
Alternatives	688,334	23.5%	850,092	526,576
Cash and other investment balances	36,698	0.3%	36,808	36,588
Total Assets	3,864,883		4,502,312	3,227,454

31-Mar-20	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-20	Change	Increase	Decrease
	£000		£000	£000
UK equities	73,091	27.5%	93,191	52,991
Global pooled equities	1,749,717	28.0%	2,239,637	1,259,796
Index linked bonds	155,686	7.4%	167,207	144,165
Pooled fixed interest bonds	203,953	9.8%	223,941	183,966
Property	225,063	14.2%	257,022	193,104
Alternatives	500,810	23.2%	616,998	384,622
Cash and Other investment balances	71,311	0.3%	71,525	71,097
Total Assets	2,979,631		3,669,521	2,289,741

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's

Pension Fund and Supporting Notes

risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out to the right. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

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

31-Mar-20 Asset Type £000	31-Mar-21 £000
31,585 Cash and cash equivalents	66,353
9,076 Cash balances	24,465
155,686 Index-linked securities	156,972
203,953 Fixed interest securities	430,436
400,300 Total	678,226

Pension Fund and Supporting Notes

Exposure to interest rate risk	Asset values 31-Mar-21 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	66,353	66,353	66,353
Cash balances	24,465	24,465	24,465
Index-linked securities	156,972	158,542	155,402
Fixed interest securities	430,436	434,740	426,132
Total change in assets available	678,226	684,101	672,351

Exposure to interest rate risk	Asset values 31-Mar-20 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	31,585	31,585	31,585
Cash balances	9,076	9,076	9,076
Index-linked securities	155,686	157,243	154,129
Fixed interest securities	203,953	205,993	201,913
Total change in assets available	400,300	403,897	396,703

Exposure to interest rate risk	Interest receivable 2020-21 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	519	524	514
Index-linked securities	526	531	521
Fixed interest securities	1,989	2,009	1,969
Total	3,034	3,064	3,004

Exposure to interest rate risk	Interest receivable 2019-20 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	561	567	555
Index-linked securities	494	499	489
Fixed interest securities	2,026	2,046	2,006
Total	3,081	3,112	3,050

Pension Fund and Supporting Notes

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

Currency risk

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

The Fund's currency rate risk is routinely monitored by the Investment Sub Committee and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The Fund partially hedges its currency exposures on equity investments by transferring into currency hedged share classes of its passive equity funds.

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.8% (the 1 year expected standard deviation). A 9.8% (31 March 2020: 10.0%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.8% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Pension Fund and Supporting Notes

Assets exposed to currency risk	Value at 31-Mar-21 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - Hedged	548,469	0	548,469	548,469
Overseas equities - Unhedged	1,681,752	164,812	1,846,564	1,516,940
Overseas fixed income	430,436	42,183	472,619	388,253
Overseas cash fund	1,046	103	1,149	943
Total	2,661,703	207,097	2,868,800	2,454,606

Assets exposed to currency risk	Value at 31-Mar-20 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - Hedged	577,099	0	577,099	577,099
Overseas equities - Unhedged	1,172,618	117,262	1,289,880	1,055,356
Overseas fixed income	203,953	20,395	224,348	183,558
Overseas cash fund	2,422	242	2,664	2,180
Total	1,956,092	137,899	2,093,991	1,818,193

b) Credit risk

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

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

Pension Fund and Supporting Notes

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £90.8m (31 March 2020: £40.6m). This was held with the following institutions:-

	Rating	31-Mar-20 £000	31-Mar-21 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	30,835	23,878
Bank deposit account			
Barclays Bank	A	9,076	421
NatWest Bank	A	0	24,044
Bank current accounts			
Northern Trust custody accounts	A-1+	750	42,475
Total		40,661	90,818

c) Liquidity risk

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

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2021 the value of illiquid assets was £925.5m, which represented 23.9% of the total Fund assets (31 March 2020: £725.9m, which represented 24.2% of the total Fund assets).

Pension Fund and Supporting Notes

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2021 are due within one year.

d) Refinancing risk

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

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022 and will be published in 2023.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To ensure that employer contribution rates are as stable as possible;
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

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

Pension Fund and Supporting Notes

At the 2019 actuarial valuation, the Fund was assessed as 100% funded (78.4% at the March 2016 valuation). This corresponded to a deficit of £11m (2016 valuation: £625m) at that time.

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

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate		
1 April 2020 to 31 March 2023	2020-2021	2021-2022	2022-2023
18.4%	£19,425,000	£19,061,000	£19,082,000

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

Basis of valuation

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

Financial assumptions

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

Pension Fund and Supporting Notes

Assumption	31-Mar-16	31-Mar-19
Price Inflation (CPI)/ Pension increases	2.1%	2.3%
Pay increases	2.4%*	2.8%**

*CPI plus 0.3%

**2% until March 2020 followed by CPI plus 0.5%

Mortality assumptions

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

	Active and Deferred Members		Current Pensioners	
Assumed life expectancy at age 65	Male	Female	Male	Female
2016 valuation	24.0	26.3	22.4	24.4
2019 valuation	22.7	25.5	22.0	24.0

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

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

Other demographic valuation assumptions:

a) Retirements in ill health - Allowance has been made for ill-health retirements before Normal Pension Age.

b) Withdrawals - Allowance has been made for withdrawals from service.

c) Retirements in normal health - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.

d) Death in Service - Allowance has been made for death in service.

e) Promotional salary increases - Allowance has been made for promotional salary increases.

Pension Fund and Supporting Notes

f) Family details - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than the member and the dependant of a female member is assumed to be 3 years older than the member.

g) Commutation - 25% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 64% for service from 1 April 2008).

h) 50:50 option - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

31-Mar-20		31-Mar-21
£m		£m
-4,305	Present value of promised retirement benefits	-5,774
2,998	Fair value of scheme assets (bid value)	3,898
-1,307	Net liability	-1,876

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Pension Fund and Supporting Notes

Assumptions used:

31-Mar-20 % p.a.	Assumption	31-Mar-21 % p.a.
1.90	Inflation/pension increase rate assumption	2.85
2.40	Salary increase rate	3.35
2.30	Discount rate	2.00

21. CURRENT ASSETS

31-Mar-20 £000	31-Mar-21 £000
Debtors:	
2,288 Contributions Due – Members	2,326
6,018 Contributions Due – Employers	6,079
9,827 Sundry Receivables	6,809
18,133	15,214
9,076 Cash Balances	24,465
27,209	39,679

22. CURRENT LIABILITIES

31-Mar-20 £000	31-Mar-21 £000
7,363 Sundry Payables	4,823
1,808 Benefits Payable	1,504
9,171	6,327

Pension Fund and Supporting Notes

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-20	31-Mar-21
£000	£000
7,653 Prudential	8,173
361 Utmost	343
8,014	8,516

The 31 March 2021 AVC values are estimates due to delays in not receiving the statements from the providers.

24. AGENCY

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

31-Mar-20	31-Mar-21
£000	£000
3,618 Unfunded pensions	3,539
3,618	3,539

25. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.0m (2019-20: £2.4m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £21.5m, excluding Local Education Authority schools, to the Fund in 2020-21 (2019-20: £21.0m). At 31 March 2021 there was £5.1m (31 March 2020: £5.7m) due to the Fund by the Council.

Pension Fund and Supporting Notes

Governance

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

- John Walker
- Lee Phanco

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

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. Each shareholder is entitled to appoint one shareholder Non Executive Director to the Board of CCB. The Fund is represented by an Officer of the Pension Fund, for which CCB paid £52,250 during the year (2019-20 £52,250) to the Pension Fund.

25(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by Northamptonshire County Council in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at Northamptonshire County Council, whose costs are reported in the Northamptonshire County Council statement of accounts. Other key personnel include the Section 151 Officer, who is Treasurer to the Fund, and the Head of HR. The Assistant Director of Finance, the Section 151 Officer and the Head of HR are remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from the proportion of costs relating to these services to the Fund.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding contractual commitments at 31 March 2021 totalled £303.3m (31 March 2020: £318.0m).

Pension Fund and Supporting Notes

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

27. CONTINGENT ASSETS

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

Pension Fund and Supporting Notes

GLOSSARY

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

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

ACS Authorised Contractual Scheme.

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

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

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

CASH EQUIVALENTS Assets which are readily convertible into cash.

CIPFA Chartered Institute of Public Finance and Accountancy

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

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

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

Pension Fund and Supporting Notes

COUPON The regular payment made on bonds.

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

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

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

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

DEFICIT An outcome as a result of taking away all expenses from income. Additionally, the Fund is in deficit when the liabilities are larger than assets.

DERIVATIVE A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

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

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

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

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

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

Pension Fund and Supporting Notes

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

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

GMP Guaranteed Minimum Pension.

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

IDRP Internal Dispute Resolution Procedures

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

INTEREST YIELD The annual coupon on a bond divided by the price of a bond which is quoted without accrued interest.

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

ISC Investments Sub-Committee.

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

LPB Local Pension Board.

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

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

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

PFC Pension Fund Committee.

Pension Fund and Supporting Notes

PLSA Pensions and Lifetime Savings Association.

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

RAG Red, Amber and Green.

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

SAB Scheme Advisory Board.

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

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

SURPLUS An outcome as a result of taking away all expenses from income. Additionally, the Fund is in surplus when the assets are larger than liabilities.

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

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

UNFUNDED Pension benefits not funded by the Pension Fund. Benefits are fully reclaimed from the employer bodies.

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

Pension Fund and Supporting Notes

WARRANTS Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.

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

- 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

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 225). 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.

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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.

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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.

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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

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 216);
- 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

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page 231). 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;

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- 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.

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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

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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

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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.

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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;

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

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

Central government support for PFI schemes is in the form of PFI credits. These are a measure of the private sector investment which is supported by central government departments and are a promise that PFI revenue grant can be claimed once the project is operational. The level of PFI credits determines the amount of grant that can be claimed by the Council, which is calculated as an annuity based on the level of PFI credits and the contract length. (Further detail on the PFI contracts is given in the PFI note, Note 36)

LEASES

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

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

Council as Lessee

Finance leases

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

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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 231). 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.

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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.

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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.

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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:

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- **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

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

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

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

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

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

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

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

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

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

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

ANNUAL GOVERNANCE STATEMENT

Contents of the Annual Governance Statement 2020-21

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Annual Governance Statement

1. BACKGROUND AND SCOPE

1.1 SCOPE OF RESPONSIBILITY

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

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

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

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

1.2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The Governance Framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the Annual Report and Statement of Accounts. Where elements of the framework underwent changes following the May 2021 local elections, this is noted below.

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1.3 KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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

Leadership and Decision-Making:

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities. These set out and communicate the Council's vision of its purpose and intended outcomes for citizens and service users;
- An established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;
- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication. The Constitution sets out: Schemes of Delegation to members and officers; Financial Procedure Rules; and other supporting procedures for how decisions are taken and the processes and controls required to manage risk. There are arrangements in place to ensure these are reviewed regularly;
- Embedded Codes of Conduct which define the standards of behaviour for members and employees;
- An Engagement and Consultation Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them;

Monitoring the Achievement of Objectives:

- The mechanisms of the Council's performance management system, and financial and performance reporting, provide oversight of the Council's performance in achieving objectives;
- The Council's risk management system provides local and corporate oversight of how risk is identified and controlled to support the achievement of objectives;

Oversight and Scrutiny:

- The Audit and Accounts Committee is responsible for: independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
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Annual Governance Statement

- Statutory officers support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
- There are embedded arrangements for whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;
- The committee-based system of governance provides the Council with the high standards of governance expected of a local authority. Under the committee system, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary.
- The work of Internal Audit provides independent and objective assurance across the whole range of the Council's activities.

2. REVIEW OF EFFECTIVENESS

2.1 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

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

The review of effectiveness is informed by:

- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment.
- The Head of Internal Audit and Risk Management's annual reports.
- Comments made by external auditors and other review agencies and inspectorates.

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

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations.
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- An annual review of the Council's Code of Corporate Governance undertaken by staff within Internal Audit.
- The annual report and opinion on the internal control environment prepared by the Head of Internal Audit. This report draws upon the outcome of audit reviews undertaken throughout 2020-21 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls.
- The completion of Self-Assurance Statements by directors.
- The consideration of relevant outputs from member and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

2.2 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The key aspects of the review of effectiveness are outlined below. The Council's Committee structure and Constitution underwent some significant changes following the local elections in May 2021. This report reflects the structures in place during the 2020-21 financial year and highlights any subsequent changes.

Additionally, it should be noted that the Council's operations in 2020-21 and onwards have been significantly impacted by the ongoing Covid-19 pandemic. The effects of this are noted where relevant below. However, in order to provide a more detailed and comprehensive picture of how the pandemic has affected governance within the Council, and the actions undertaken to address the impact, an additional section on Covid-19 has also been included at section 3 of this report, below.

i. Council Planning

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

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

The budget preparation process was subject to robust challenge by councillors and involved consultation with the people and businesses of Cambridgeshire. The Business Plan was approved by Full Council in February 2021.

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ii. Performance Management

The Council presents a corporate Integrated Finance Monitoring Report to councillors on a monthly basis, in addition to quarterly Finance Monitoring Reports supplied to service committees. The Council also maintains a suite of Key Performance Indicators, which are mapped to the Priority Outcomes of the Council's Strategic Framework, with subsidiary indicators relating to the performance of the Council's corporate services.

Throughout 2020-21, management, activity and performance reporting has remained as normal for directorates and as colleagues in these directorates are a key part of the production of performance reports they would have seen and commented on them as they move through the preparation and approval processes on the way to being shared for information at committees.

Performance reports were shared for information only rather than as main discussion items in 2020-21 for the majority of service committees, as part of the revised arrangements during the pandemic.

During the third lockdown period (Jan-Mar 2021) the production of Q3 performance reports was paused due to resourcing issues. This was scheduled to recommence for Q4 but the recent changes to the committee structures, alongside the new Joint Administration's wish to review strategy and approach have delayed this.

We are therefore reviewing our performance reporting across service committees both with the individual chairs and with the new Strategy and Resources Committee early in 2021-22.

Finance and performance reports are available to the public on the Council's internet site, giving an insight into the Council's overall performance, both financial and non-financial.

iii. Executive Decision Making and Scrutiny

Executive decisions were made by one of the Council's seven cross-party service committees in the 2020-21 financial year. Following the May 2021 local elections, the structure of the Council's committees has changed, and there are now five cross-party Policy and Service Committees, in addition to the Strategy and Resources Committee which has an overarching and co-ordinating role and has authority for oversight, operation and review of "Corporate Services".

During the 2020-21 financial year, process allowed for executive decisions to be reviewed following request by at least 9 full members of the General Purposes Committee, which must be made within 3 days of a decision being published. Following changes to the Council's Constitution agreed at the meeting of Full Council on 18th May 2021, the process now allows for executive decisions to be reviewed following request by at least 9 full members of the Strategy and Resources Committee, within the same timescales.

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iv. The Audit and Accounts Committee

The Audit and Accounts Committee provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit Committee.

The Audit and Accounts Committee met regularly during 2020-21, considering reports, including the annual Internal Audit Report from the Head of Internal Audit; the Council's annual Statement of Accounts; debt management updates; safer recruitment in schools updates; and information on financial reporting and related matters from the Council's senior Finance officers and the External Auditor.

The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year.

v. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, Director of Public Health, Service Director: Children's Services and Service Director: Adults and Safeguarding were effectively fulfilled during 2020-21 and up to the date of this report.

vi. Management

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

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks;
- Service Directors and / or relevant senior staff have provided assurance on the key elements of risk and control in their areas of responsibility;
- Throughout the financial year they consider that risks and internal controls have been sufficiently addressed to provide reasonable assurance of effective financial and operational control, compliance with the Code of Corporate Governance and other laws and regulations.

A number of exceptions related to the ongoing Covid-19 pandemic were identified by the Director of Public Health, and these are detailed in full at Section 3.2, below. Additionally, an outline of the key actions undertaken by the Joint Management Team (JMT) to address and mitigate the risks of the pandemic are detailed at Section 3.1.

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Additionally the Assistant Director for Property noted that currently, property-related decision-making and activity is shared across a number of services across the Council. As a result, the Property team does not have oversight of, the full spectrum of property activity across the Council's estate. This is due to be addressed as part of the Property Service Improvement Plan, through which there will be a move to a Corporate Landlord model that will allow more comprehensive assurance over all property through a single service director. This will include measures such as:

- Communication of central contacts / policy suite
- Review of membership and responsibilities of Strategic Property Asset Board
- Development of interaction of corporate functions supporting Property activity e.g. Procurement, Finance
- Clarification of roles and responsibilities between Property other services
- Develop and deploy property asset database
- Briefing to JMT and DMTs after election
- Internal Audit coverage of key risk areas – requests for audit activity have been made in key risk areas.

It should however be noted that, where property-related activity currently falls under the purview of other services across the Council, assurances over the current management and oversight of this activity is provided within the self-assurance statements completed by the relevant Executive and Corporate Directors of those services.

vii. Internal Audit

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

The Head of Internal Audit provided his annual report to the Audit Committee on 22nd July 2021. The report outlined the key findings of the audit work undertaken during 2020-21, including areas of significant weakness in the internal control environment.

An assurance scoring mechanism, based on three opinions, is used to reflect the effectiveness of the Council's internal control environment. The opinions are:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the audit reviews undertaken during 2020-21, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the

Annual Governance Statement

system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

It is the opinion of the Head of Internal Audit that:

On the basis of the audit work undertaken during the 2020-21 financial year, a strong satisfactory assurance opinion has been reached.

My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2020-21 by the Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of this report and at Appendix A, below; however, I would particularly highlight the following key pieces of evidence on which my opinion is based:

- Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, which demonstrate a sound core of organisational governance.*
- Reviews of Key Financial Systems consistently demonstrating a good or satisfactory assurance across all systems.*
- The organisational response to the Covid-19 pandemic, which demonstrated the strength of the Council's business continuity and risk management processes and the ability of senior management to respond effectively to unexpected challenges.*
- In previous years, Internal Audit has highlighted a number of contract management issues in individual projects managed by the Major Infrastructure Delivery (MID) service. In 2020-21, at the service's request, Internal Audit implemented a full review of contract management in the service, including evaluating four major projects and assessing MID capital programme governance as a whole. This work identified significant areas for improvement; however the service has responded rapidly to these concerns, and action plans to address the issues are already underway.*
- Although a high-profile issue relating to the tenancy of Manor Farm was reported publicly in 2020-21, this was first raised with the Internal Audit team in 2019. The affected service has responded positively to the issues identified, and the action plan to address the concerns is in the public domain. Additionally, it is noted that the organisation has completed a full review of the Whistleblowing Policy in light of the issues raised.*

It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

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The detail to support this assessment was provided in the Annual Internal Audit Report which was presented to the Audit and Accounts Committee on 22nd July 2021.

viii. Review of Internal Audit

The Public Sector Internal Audit Standards (PSIAS) were introduced from April 2013. The Internal Audit service has operated in compliance with PSIAS throughout the year, with a self-assessment exercise in April 2021 confirming compliance with the latest set of standards, issued in April 2017.

Internal Audit teams are required to undergo external reviews of compliance with PSIAS every five years. As the most recent external review of the Cambridgeshire team took place in the 2017-18 financial year, an external review against PSIAS requirements will be arranged in 2021-22.

ix. External Audit

On 14 December 2017, the PSAA board approved the appointment of Ernst & Young LLP to audit the accounts of Cambridgeshire County Council for a period of five years, covering the financial years from 1 April 2018 to 31 March 2023.

x. Risk Management

The Council maintains an approved Risk Management Policy and Risk Management Procedures. During 2020-21, the Joint Management Team and Directorate Management Teams formally considered risk on a quarterly basis. However, as part of the Council's immediate response to the pandemic, a bespoke risk register and action tracker was created to help manage the challenges

of Covid-19, and JMT formally agreed a departure from the Council's business-as-usual risk management processes. More detailed information on the revised approach to risk management that operated during part of the 2020-21 financial year in response to the pandemic is available at Section 3.3, below.

The Internal Audit Plan for 2021-22 presented to the Audit and Accounts Committee in March 2021 is substantially based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2021-22.

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3. ADDITIONAL DETAIL ON THE IMPACT OF THE COVID-19 PANDEMIC

3.1 THE ROLE OF JOINT MANAGEMENT TEAM (JMT)

Joint statement from JMT

As the full impacts of the pandemic on the organisation were emerging in March 2020, the Council put its Joint Management Team (JMT) onto an emergency management footing, meeting as the “Gold” command group. JMT Gold meetings initially took place on a daily basis, feeding into multi-agency forums across the County and Sub-region and supported by a tactical co-ordination group within the Council.

Under the Constitution, the Chief Executive is empowered to take emergency decisions on behalf of the local authority: a number of Committee meetings were initially cancelled, meaning that an alternative decision route was needed, pending the enactment of secondary legislation enabling local government Committees to meet virtually from April 2020. An exception and highlight report process across the different tiers of management and up to Member oversight was implemented in response to these issues.

JMT has provided an outline of the main actions taken to mitigate and manage key risks during the Covid-19 pandemic, and alterations to the Council’s normal governance structure which were necessitated as part of the organisation’s coronavirus response, as follows:

i. Decision-Making and Management:

- Regular meetings of JMT to address the ever-changing impacts of the pandemic; ensure swift actions were developed and agreed; and set the communications strategy both internal and external. This included clear recording of actions and timescales for delivery. The increased frequency of meetings has meant that issues, and potential risks, can be regularly and routinely raised and appropriate mitigating actions determined.
 - JMT agreed a financial protocol in the early stages of the pandemic and updated this in order to translate the scheme of financial management and other aspects of our normal governance to the circumstances of the pandemic, enabling the Council to respond using its resources in an agile way to ensure delivery of services and responding to citizens’ needs.
 - The Council followed the Cabinet Office guidance on procurement (across various Procurement Policy Notes (PPNs 2,3,4)) and established a panel for considering supplier requests for variations. Through this process the Council was able to focus on and escalate risks to procurement and its supply chain, ensuring continuity of cashflow to providers and of service to service users.
 - Political briefings including CPF, Chairs and Vice-Chairs, Group Leaders, and the SCG and RCG Briefing for Local Leaders ensured political oversight.
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- Regular updates to JMT from our Public Health specialists, so the implications of the progress COVID in our communities can be assessed by each council service and appropriate actions determined and implemented.
- In addition to the wider JMT meetings, the establishment of a sub-group from JMT, our COVID Gold/Strategic Group, which has met 3x a week to look more specifically at COVID prevention and Outbreak Management issues, risks and actions. Regular agenda items for this group include:
 - Review of the epidemiology at every Gold meeting, so that the changing pattern in the infection, and the associated risks and subsequent actions, are identified and actions determined and passed out to the appropriate services / groups.
 - Reports back from all elements of our Outbreak Management system (surveillance, outbreak management settings cells, testing and tracing etc.) so that issues and risks can be identified and acted on.
 - Regular reviews of national guidance and how this translates into the local context, so we are actively managing risks resulting from changes set out in this guidance.
 - Development of many specific / targeted action plans in response to areas of high infection and / or specific outbreaks, to help to manage and mitigate the spread of the infection.
 - Feedback from national and regional networks, and from the wider Cambridgeshire and Peterborough partners involved in the COVID response, so that we better understand how to shape and re-shape our response to COVID as part of this wider system, and so that we benefit from their insight and learning.
 - Constant internal and external communications and marketing campaigns that are tailored to ensure they reach their target audience to help prevent the spread of COVID; to help people understand what action to take if they experience symptoms or are a contact of those with a positive COVID test; and latterly to help people understand the importance of getting vaccinated and regular rapid testing.

ii. Oversight of Financial Impact:

- Throughout the pandemic there has been regular financial reporting of actual and estimated financial impact of the pandemic (this has been significant in income and expenditure terms, exceeding £70m). Initially this was through a weekly report circulated to JMT, with the frequency decreasing as the situation stabilised. This reporting was also formally submitted to Members culminating at General Purposes Committee.
 - Deployment of that level of extra resource has significantly mitigated risks to service provision, whilst not impacting the Council's underlying financial strength.
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- The Council has robust arrangements in place for financial monitoring and forecasting, including utilising the reporting tools of Mosaic, and the expertise of finance business partners working with demand led services. This leads to reliable and stable forecasts and clarity on the financial position during the year, alongside assurance about the levels of service and activity that this expenditure is supporting.
- Professionals working in the Resources Directorate, particularly those embedded Finance Business Partners, as well as colleagues in internal audit, insurance, property and procurement are well-placed to identify and escalate service delivery or governance issues. Business Partners develop trusted and expert relationships with the service managers they support, as well as having an independent reporting line via the Chief Finance Officer to the JMT.

iii. Managing the Impact of Covid on Our Communities:

- Ensuring that our response to COVID (set out in our Local Outbreak Management Plan and our service-specific COVID plans) is evidence-based with a focus on the course of infection amongst groups who are more vulnerable to COVID (risk factors include age, ethnicity, underlying health conditions) as well as groups who experience social and economic hardship (risk factors include low wage economy, poor housing, homelessness, houses of multiple occupancy).
 - Supplementing national schemes, such as those providing financial and practical support for those experiencing hardship through the impact of COVID, with additional local schemes to ensure we can meet demand for support, particularly in areas or communities with high needs.
 - Systematically re-deploying staff into roles that are focused on support for people who are more vulnerable, pausing business-as-usual activities where necessary.
 - Maximising on our links with community and voluntary sector organisations, faith groups and community leaders, so they can reach out to individuals and families who may otherwise be overlooked through more traditional routes for support.
 - Setting up a partnership sub-group and establishing the decision-making process for the allocation of the Contain Outbreak Management Fund, to ensure we are rigorous in how we meet the national criteria for this fund with its focus on addressing inequalities exacerbated by COVID.
 - Budget process were put in place to identify and justify funding support for vulnerable and other residents with a rigorous justification of Covid-related spend that was supported by Public Health colleagues and based on the latest Government guidance. Examples include:
 - Covid Support Grants were used to provide rest centres for rough sleepers in Peterborough to ensure most, if not all, were not left vulnerable to Covid by being on the streets.
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- Securing agreement to extra Covid contingency costs for capital projects to allow contractors to operate sites in a Covid-safe way.
- Regular additional cleaning of public spaces in particular when lockdowns were lifted to ensure a safe environment for the public.
- Closing Household Recycling Centres to prevent the spread of the disease in Spring 2020.
- Ensuring their safe reopening by investing in measures to keep members of the public apart, through strong hygiene supplies and traffic management measures to manage queuing traffic.
- Closure of play parks and sports facilities with notices to explain the risks of their use, followed by their safe reopening in line with Government guidance.

iv. Resource Management and Oversight:

- The Resources Management Team met frequently throughout the pandemic and considered risks and issues for escalation to the JMT.
- JMT developed a strategic risk register focused on the Covid-19 pandemic, which is reviewed regularly. For more detailed information on the risk management approach, see Section 3.3, below.
- Clinically Extremely Vulnerable (CEV) work to manage escalations including evidence of demand management through supporting the most vulnerable. Targeted support work to manage escalations (e.g. carers).
- Track and Trace Gold meetings were stood up to provide evidence of rapid decisions making and resource planning; evidence of monitoring national policy and shaping it to the local level.
- Management of redeployment with evidence of risk management and resource allocations.

v. Managing Staff Safety and Wellbeing:

- Encouraging and enabling all staff to work from home wherever possible.
 - Creating a safe environment in the office for those whose roles could not be undertaken at home, or who had special personal circumstances requiring them to be in the office
 - Implementing Covid safe working practices for staff working on site or visiting sites, including social distancing measures.
 - Providing mental health support for staff needing help to adapt to changing circumstances.
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- Ensuring frequent and up to date communication with staff, from JMT Gold to P&E Silver on a daily basis through early months of the pandemic.
- Specific actions from JMT have included the creation and implementation of a suite of COVID risk assessments e.g. for our office spaces, our teams (who have been working in a range of settings throughout the pandemic) and for individuals.
- Property colleagues, including those with professional expertise in facilities management, building surveying and safety / compliance have been leading the response to the safety of our buildings and workplaces and responding to service requirements for provision of services at pace and in different places across the estate and in collaboration with partners.

3.2 THE ROLE OF THE DIRECTOR OF PUBLIC HEALTH

From the Director of Public Health

2020-21 has been an unusual year due to the ongoing emergency situation with the Covid-19 pandemic response. While the Director of Public Health believes that appropriate governance and risk management have been maintained throughout, some of the unusual issues are outlined below.

The significant responsibilities of the Director of Public Health and the Local Authority for Covid-19 outbreak management, has required development of a separate risk register for the Cambridgeshire and Peterborough Local Outbreak Management Plan, which is regularly reviewed at the Health Protection Board, chaired by the Director of Public Health. The Public Health Directorate risk register has also been maintained.

There has been a requirement for very rapid decision-making, recruitment of scarce interim or short-term infection control and public health expertise in a difficult employment market, and rapid setting up of processes and services to prevent and manage Covid-19. This means that some agency and interim recruitments have taken place outside the normal processes, e.g. using specialist agencies, and this has been done working closely with the HR team. More procurement waivers have been approved than in a normal year, due to the emergency situation and the need to set up services rapidly. Appropriate Cambridgeshire County Council processes have been followed to allow these exceptional recruitments and waivers.

Government grants - 'Test and Trace' grant and 'Contain Outbreak Management Fund' have been allocated for Covid-19 outbreak prevention and management, often with uncertainty about the duration of funding and with less information about grant conditions than in normal circumstances. We have worked closely with the finance team to set up appropriate procedures to allocate funding from these grants through the Finance Sub-Committee of the Health Protection Board and to track spend, and to ensure transparency through public reporting at the Local Outbreak Engagement Board.

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3.3 IMPACT ON RISK MANAGEMENT

From the Director of Business Improvement & Development

In November 2019, a new risk management process was proposed by the Director for Business Improvement and Development (BID) and Head of Internal Audit. The new process and risk register format were agreed by JMT.

This process cemented the quarterly cycle for risk management and assessment on the control environment. The process includes regular meetings with and support for risk owners and management of the corporate and directorate risk registers through an online platform (GRACE). Work to refresh the corporate and directorate risk registers was undertaken at the start of 2020, however this work was paused following the outbreak of the Covid-19 pandemic.

At this point, JMT agreed that a separate risk register should be created to ensure full visibility of this new and rapidly changing risk. It was agreed that the Director BID should develop and monitor the COVID risk register on behalf of JMT. To develop this risk register in a timely way, there was positive, proactive input from all members of JMT, directorate risk owners and other key officers.

Once the risk register was developed there was a clear and regular update (weekly from the beginning of May) and reporting process to incorporate emerging risks and triggers into the register and to allow for proportionate action plans and then controls to be developed. COVID risk register monitoring, reporting and escalations to JMT continued on a weekly basis until September 2020.

By September 2020, risk controls had been put in place against all COVID risks and actions were being managed within Directorates and monitored by JMT. At this stage, the Director BID, working with the Head of Internal Audit, presented a further paper on risk to JMT proposing that, as Covid-19 was likely to be an ongoing feature of our operating environment, it should be treated as a trigger, and reflected at the corporate risk register (CRR) and directorate risk register (DRR) level, and subject to escalation in the same way as any other trigger.

It was also agreed that the corporate and directorate risk registers should be refreshed, to ensure both that COVID-19 was appropriately captured as a trigger and that directorate risk registers are aligned both to each other and the corporate risk register, to allow for streamlined reporting and escalation. This refresh was essential to give an assurance that the corporate risk register remains an effective tool to support JMT in managing organisational risk, particularly during the pandemic where the control environment can change quickly.

The Director BID and the risk team from Internal Audit then met with all Directors and risk owners and the corporate risk register was updated and presented back to JMT in January 2021. Directorate management teams have also reviewed directorate risk registers with support from the risk management team.

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Weekly escalation of risk remains as a standing item on the JMT agenda alongside standardised quarterly updates, as specified within the risk management framework.

4. CONCLUSIONS AND APPROVAL

4.1 SIGNIFICANT GOVERNANCE ISSUES

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements.

The Covid-19 pandemic has represented a very significant challenge for the authority in 2020-21 and to date, impacting on the authority's financial position and its ability to deliver planned objectives, as well as creating additional new responsibilities for the Council. Cambridgeshire County Council's response to these challenges is set out in detail at Section 3, above.

Increasingly, the authority's response to the coronavirus pandemic is being managed through business-as-usual processes that were already in place or have been developed throughout the 2020-21 financial year. As such, while it is recognised that the pandemic has represented a significant governance issue for Cambridgeshire County Council, there are no proposed actions to be undertaken, because governance frameworks have already been updated where necessary on a temporary or permanent basis to address this.

Following an earlier whistleblowing referral, during 2021 the Audit & Accounts Committee received the results of an internal audit report, completed by Mazars LLP, into the tenancy of Manor Farm as well as the Council's wider management of the County Farms Estate. The tenant of Manor Farm was also, until the completion of the report and his resignation, a County Councillor and Deputy Leader of the Council. The Audit & Accounts Committee has afforded considerable attention to these sensitive matters and the recommendations raised by the audit and the Council is progressing a detailed action plan in response. Owing to the connection of this audit to a very senior Councillor, we are including this reference in this section of the annual governance statement.

4.2 FUTURE GOVERNANCE CONSIDERATIONS

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and a significant reduction in Central Government funding, and this has been exacerbated by the impact of the pandemic. The Council's five year Business Plan is reflective of these pressures, and is subject to annual review, to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

In future years, there is the potential that devolution in the region could evolve further and this may impact further upon the authority's governance arrangements. Cambridgeshire

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County Council already works closely with other public sector bodies in the region, and shares a Chief Executive and several Directors with Peterborough City Council. Governance arrangements for sharing staff and services across partners continue to evolve into 2021-22, and following the May 2021 local elections, the new Leaders of Cambridgeshire County and Peterborough City Councils

have each commissioned a Corporate Peer Challenge review from the Local Government Association (LGA). These independent reviews, conducted at no cost to the Councils, will assess the shared services and joint governance arrangements between the two authorities.

4.3 CONCLUSION

Based on the work that has been completed, assurance can be taken that the governance arrangements at Cambridgeshire County Council are fit for purpose.

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

The authority's Code of Corporate Governance has undergone its annual review and is due to be published on Cambridgeshire County Council's public-facing website. This document demonstrates in detail that the Council's corporate governance and policy framework is aligned to the principles outlined by CIPFA/SOLACE in their Delivering Good Governance In Local Government Framework, and gives more information on how governance arrangements are monitored and reviewed.

Cambridgeshire County Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements. Implementation of these actions will be monitored through the next annual review.

4.4 CHAIR OF STRATEGY & RESOURCES COMMITTEE AND CHIEF EXECUTIVE STATEMENT

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

Councillor Lucy Nethsingha
Leader of the Council

Stephen Moir
Chief Executive

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Councillor Graham Wilson
Chair of the Audit and Accounts Committee

March 2022
