

## Appendix 3 Item 7

# **CAMBRIDGESHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2014-15**

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## ***'Making Cambridgeshire a great place to call home'***

### **OUR PRIORITIES**

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

We have already made over £100m in savings over the last three years. 2015-16 will require us to find a further £29.8m, largely due to inflation and demographic pressures, but also an actual funding reduction of £9.8m. To date we have balanced our finances while investing in areas our residents prioritise. The Council is now in a position of having to consider what might previously have been considered unthinkable. The choices are stark and unpalatable but these very difficult decisions will need to be made.

Our vision has remained the same – to make Cambridgeshire a great place to call home. As a result, the Council's priorities remain as:

- **Develop the local economy for the benefit of all**
- **Help people live healthy and independent lives**
- **Support and protect vulnerable people**

For more details about how we will achieve this, please see the Council's *2015-16 Business Plan* at:

[http://www.cambridgeshire.gov.uk/info/20043/finance\\_and\\_budget/90/business\\_plan\\_2015\\_to\\_2016](http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2015_to_2016)



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## OUR PERFORMANCE

The performance of the Council is monitored by the General Purposes Committee using a monthly Integrated Resources and Performance Report, which combines financial reporting with performance reporting. You can view the most recent copies of these reports on our website using the following link to the agendas, minutes and reports of the latest committee meetings:

[http://www.cambridgeshire.gov.uk/info/20146/council\\_meetings](http://www.cambridgeshire.gov.uk/info/20146/council_meetings)

Cambridgeshire County Council plays a pivotal role in countywide partnerships that bring together public, private and voluntary sector organisations in Cambridgeshire. These include Cambridgeshire's Children's Trust and the Health and Wellbeing Board. You can find out more information about the work of these groups on our website using the following links:

<http://www.cambridgeshire.gov.uk/CMSWebsite/Apps/Committees/Committee.aspx?committeeID=70>

<http://www.cambridgeshire.gov.uk/CMSWebsite/Apps/Committees/Committee.aspx?committeeID=29>

# EXPLANATORY FOREWORD

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## INTRODUCTION

The purpose of these accounts is to present a true and fair view of the financial results of the Council's activities for the year ended 31 March 2015, and to summarise the overall financial position of the Council as at 31 March 2015. This section provides an overview of the financial performance of the Council, with supporting detail set out within the following sections:

- Statement of Responsibilities, Certificate and Approval of Accounts (page 26)
- Core financial statements (pages 28-31)
- Notes to the core financial statements (pages 32-113)
- The Pension Fund accounts (pages 114-152)

The Council is required by the Accounts and Audit Regulations 2011 to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the '[Code of Practice on Local Authority Accounting in the United Kingdom 2014-15](#)', supported by [International Financial Reporting Standards \(IFRS\)](#).

The purpose of the Council's published Statement of Accounts is to give its key stakeholders – including electors, those subject to locally levied taxes and charges, Council members, and employees – clear information about the Council's finances. It also allows the Council's financial performance to be compared with those of other local authorities.

## THE STATEMENT OF ACCOUNTS

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2014-15. The various sections, and their contents, are as follows:

### **Independent Auditors' Report to Members (page 20)**

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

### **Statement of Responsibilities, Certificate and Approval of Accounts (page 26)**

This statement sets out the responsibilities of the Council and the Chief Finance Officer of the Council regarding the proper administration of the Council's finances.

### **Movement in Reserves Statement (page 28)**

This statement shows the movement in the year on the different reserves held by the Council. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services. These movements are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'net increase / decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to, or from, earmarked reserves undertaken by the Council.

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### **Comprehensive Income and Expenditure Statement (page 29)**

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

### **Balance Sheet (page 30)**

The Balance Sheet is fundamental to the understanding of the Council's financial position at the end of the financial year. It shows the value of the Council's current and non-current assets and liabilities, which are matched by the level of 'usable' and 'unusable' reserves held. Usable reserves are those resources that the Council may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. Unusable reserves include those that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences as shown by the 'adjustments between accounting basis and funding basis under regulations' line in the Movement in Reserves Statement.

### **Cash Flow Statement (page 31)**

This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

### **Notes to the core financial statements (page 32)**

The notes to the financial statements are fundamentally important in the presentation of a true and fair view for the accounts. They present information about the basis of preparation of the financial statements and the specific accounting policies used; explain how transactions have been accounted for; and provide information that is not provided elsewhere in the financial statements, but is relevant to an understanding of them.

### **Pension Fund accounts (page 114)**

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.

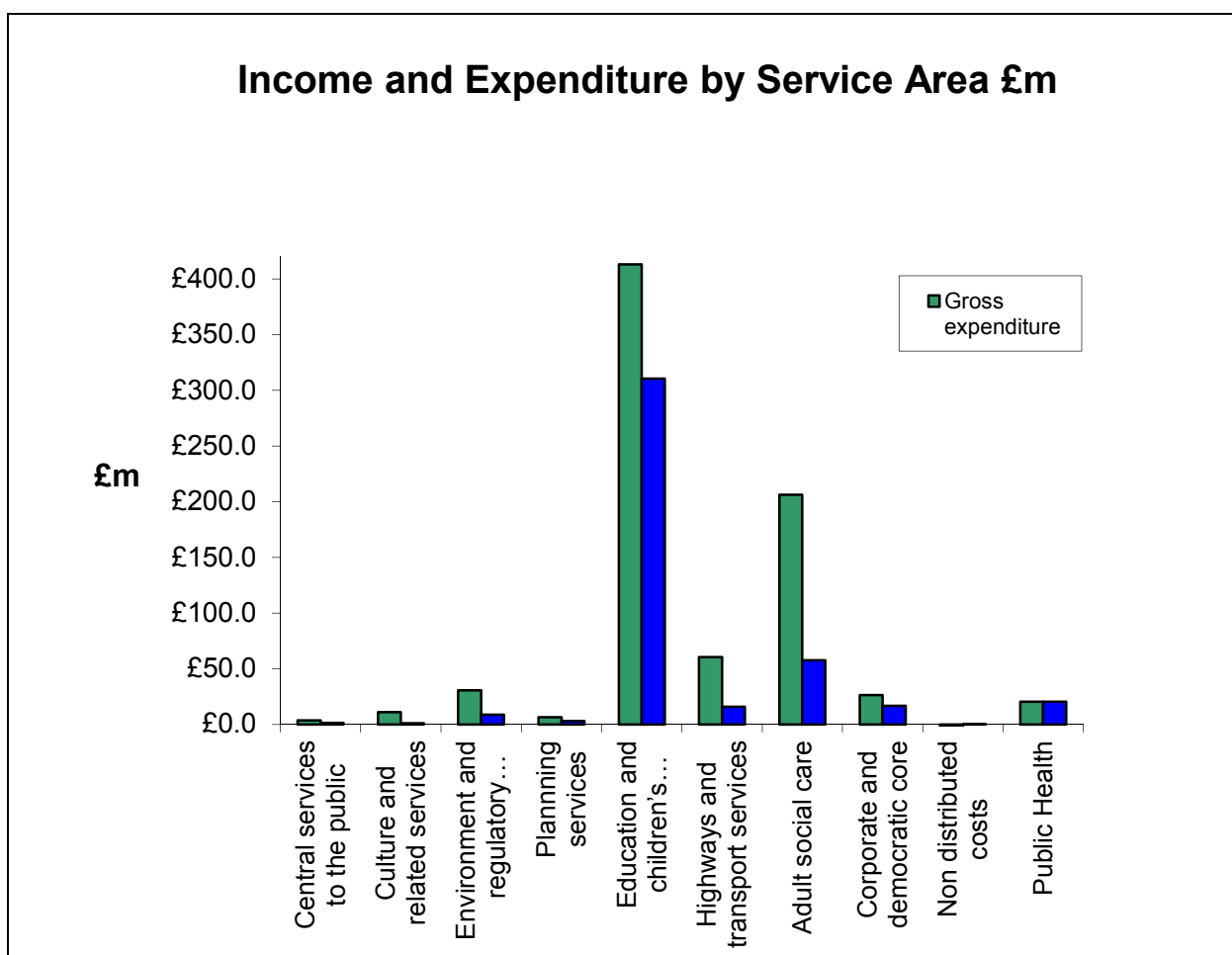
# EXPLANATORY FOREWORD

## OVERVIEW OF THE YEAR

### 1. Revenue spending on services

The Council's net cost of services for 2014-15 was £341.3m. This figure was £36.1m lower than the net expenditure for the year of £377.4m that was reported to the General Purposes Committee within the Outturn Integrated Resources and Performance Report in July. The reason for this is that the Statement of Accounts is prepared on a different accounting basis to those reports presented to members for resource allocation decisions, and takes account of charges for items such as capital expenditure and variations in the accounting for retirement benefits. Tables which summarise these results are shown in [note 23](#).

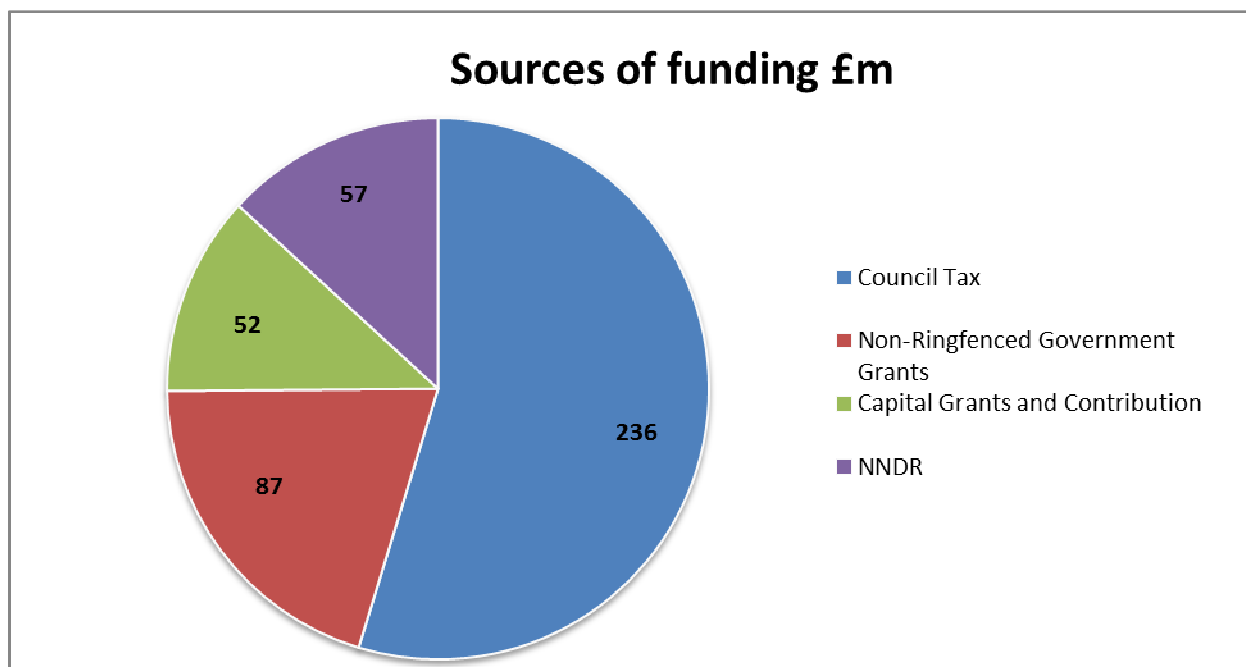
The chart below is based on the net cost of services of £341.3m and outlines how much we spent by service area:





## EXPLANATORY FOREWORD

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



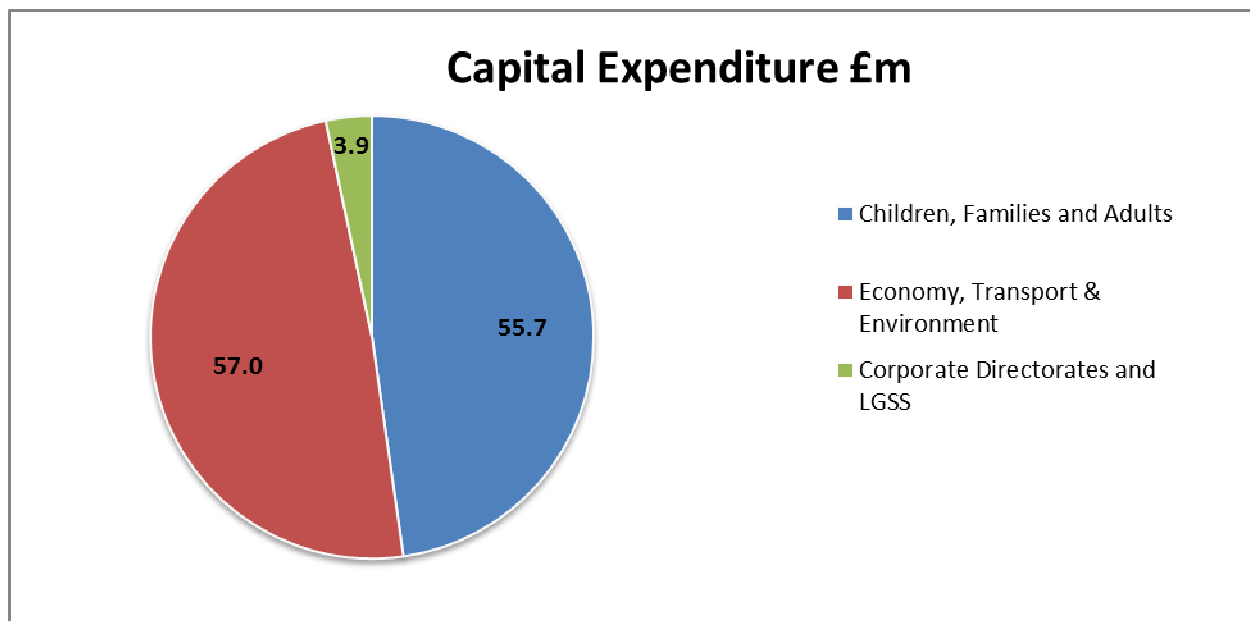
- **Non-ringfenced government grants** is the Revenue Support Grant, plus other general grants, paid by Central Government to aid local authority spending.
- **Non-Domestic Rates** are collected from businesses on behalf of the Council by billing authorities. A proportion is then received directly from those billing authorities, with a further proportion received and pooled by Central Government and then redistributed to councils on a formula basis.

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

### 2. Capital spending and financing

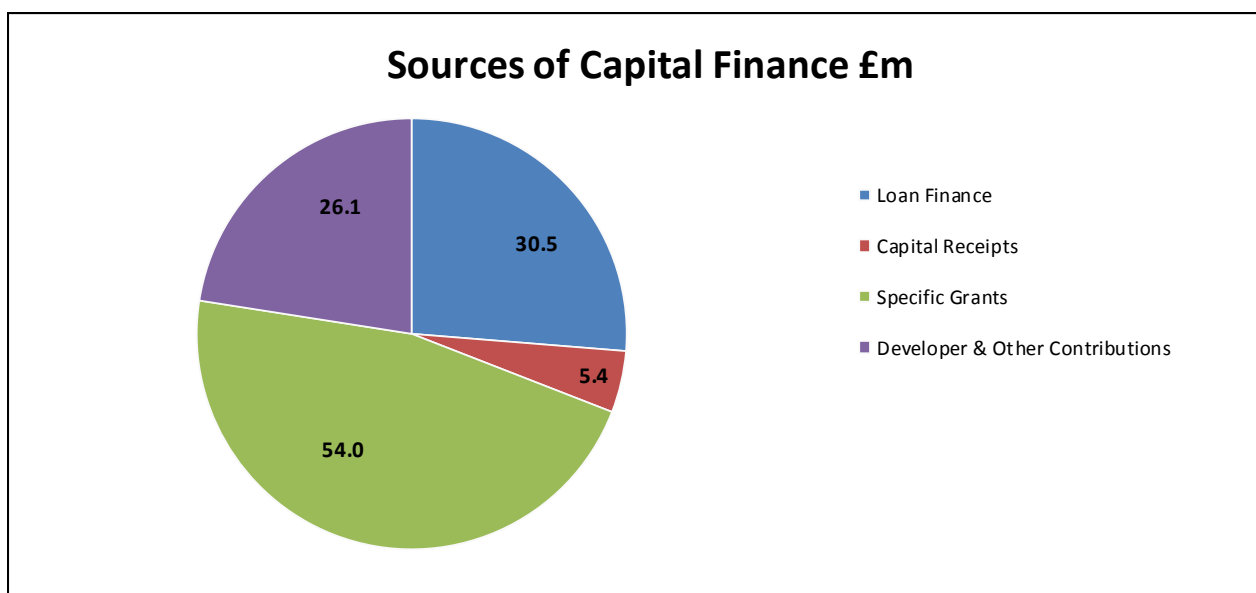
The Council's revised capital budget for the year was £197.4m. Actual capital expenditure financed from capital resources for the year was £116.6m, leaving some £80.8m of the revised capital budget unspent at the year end. However, it must be noted that this was largely due to the timing of spending and does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not occurred as quickly as anticipated. The chart below outlines the investments made during the financial year (in millions of pounds):

## EXPLANATORY FOREWORD



The cost of borrowing has been factored into the 2014-15 debt charges outturn position, as well as being accounted for within the 2015-16 Business Planning process.

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



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

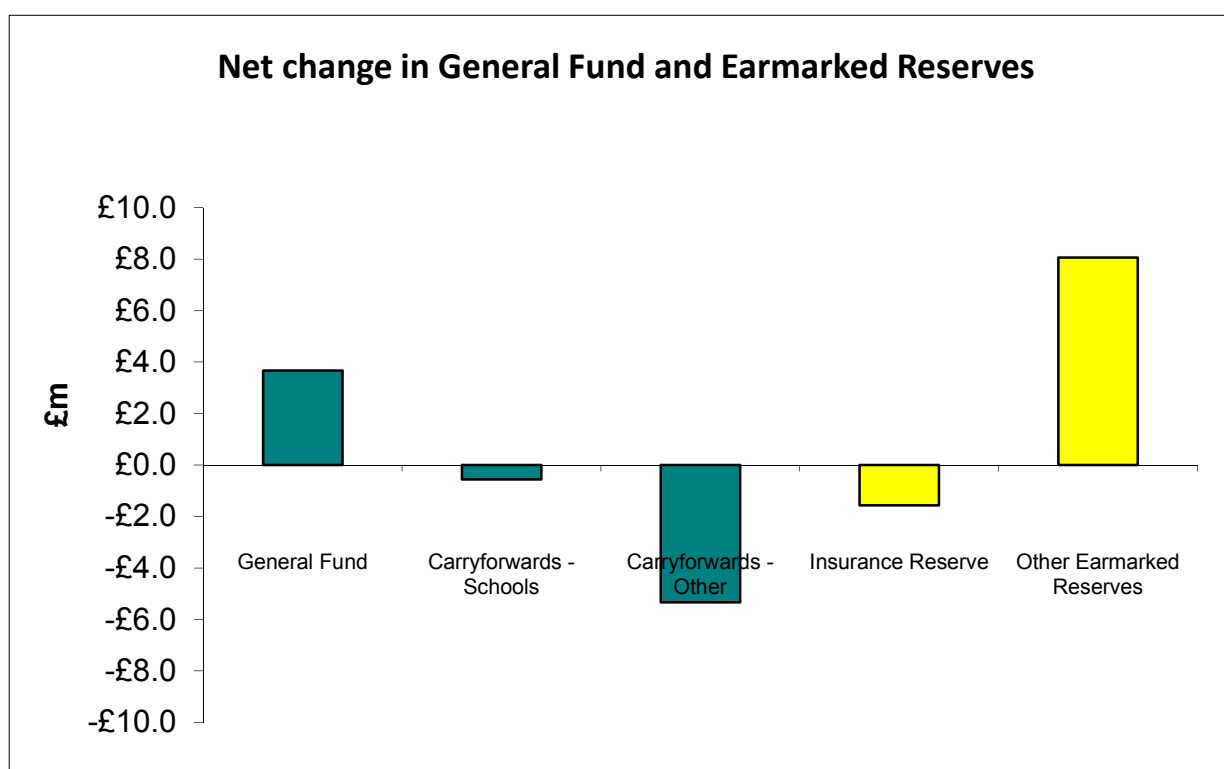
## EXPLANATORY FOREWORD

### 3. Reserves

The Council's total reserves have increased in-year by £60.3m, to £819.8m, by the 31 March 2015. This balance comprises £88.0m (10.7%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £731.8m (89.3%) of 'unusable' reserves (those that an authority is not able to utilise to provide services).

A proportion of the Council's usable reserves (specifically the General Fund and Earmarked Reserves) provide the organisation with vital flexibility when faced with uncertainty and risk. At 31 March 2015, these reserves stood at £70.6m. Of this balance, the General Fund comprised £16.0m (3.0% of the net 2014-15 budget) and reserves earmarked for specific purposes totalled £54.6m, including £21.9m under the control of locally managed schools and £2.5m to cover insurance risks.

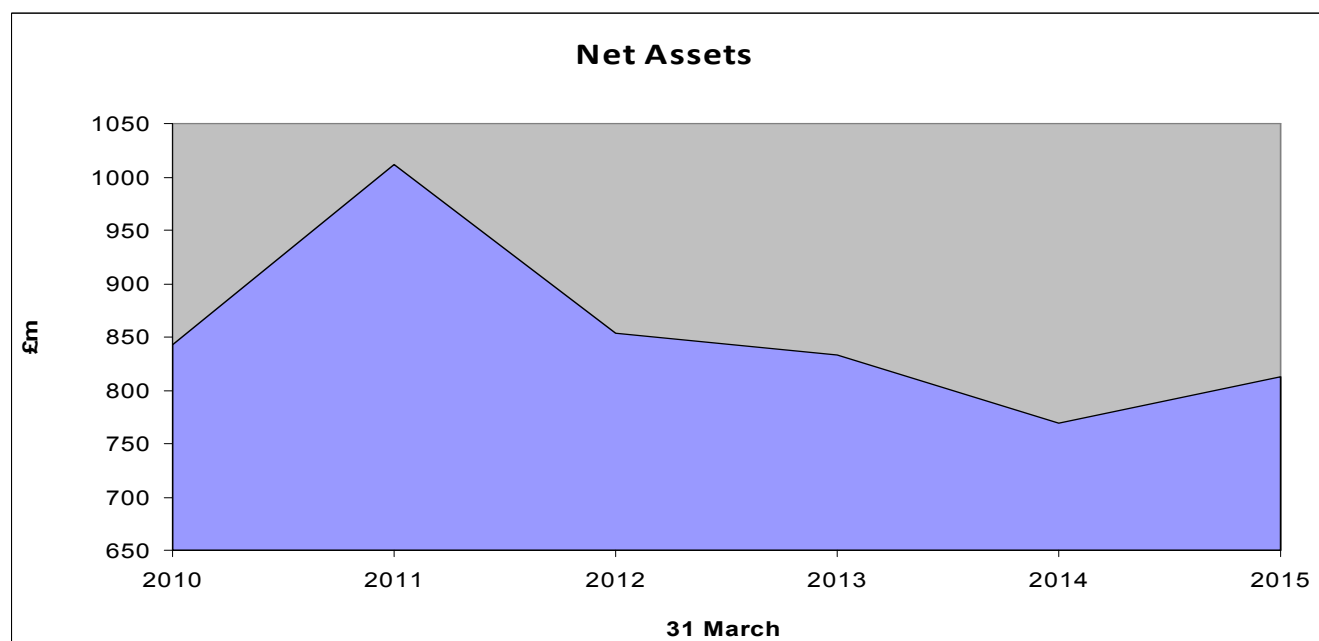
The following chart shows the 'net' change (contribution to and from) in these types of reserves:



### 4. Assets and liabilities

During 2014-15, the net assets of the Council, and therefore its Balance Sheet value, increased by £60.3m (7.9%). The material items which caused this net increase include a £193m increase in the net book value of the Council's property assets, offset by a £121m increase in the estimated pension deficit for the Council, measured on an actuarial basis. In addition, the Council's working capital position (net current assets) has decreased and finance lease liabilities relating to Private Finance Initiative projects have increased by £10m.

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The Council had a reduced cash and cash equivalents position in the year of £4.8m. The balance at the 31 March 2015 stood at £37.5m. However, it should be noted that this does not represent the actual balance on the Council's accounts at the bank, but the book balance taking timing differences into account. The cash in current accounts is maintained at +/- £2 million, through use of temporary loans and deposits.

### 5. External borrowing and investment

Total debt outstanding at the yearend was £382.7m, well within the maximum limit determined in accordance with legislation of £628m. There was a net decrease of £22.9m in long-term loans in the year and a net increase of £23.0m in short term loans. New loans were raised to fund the capital programme and working capital commitments.

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.

### 6. Restatement of 2013-14 figures and change in accounting policy

Following changes to the '*Code of Practice on Local Authority Accounting in the United Kingdom 2014-15*', the Council has determined that it is appropriate to change its accounting policy in relation to the recognition of assets for certain categories of schools. As a result, Foundation school assets are now included within the Council's balance sheet but Voluntary Controlled school assets are not. In applying this new accounting policy, the Council has identified that at 31 March 2015 there were 39 Voluntary Controlled schools and 11 Foundation schools subject to individual asset recognition tests. Of the 39 Voluntary Controlled Schools, 38 of these have been determined to not be controlled by the Council and therefore have been derecognised. Of the 11 Foundation schools, 4 were determined to be controlled by separate trusts; the remaining 7 therefore are under the Council's control and have been recognised. The

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1 April 2013 and 31 March 2014 Balance Sheets and 2013-14 comparative figures have thus been restated to apply the new policy to these schools.

The effects of the restatement are as follows:

- At 1 April 2013, the carrying amount of the Land and Buildings category of Property, Plant and Equipment is restated upwards by £1.7m (£75.9m of Foundation school assets, less £74.2m Voluntary Controlled assets). The additional carrying value of Land and Buildings is matched by a credit to the Capital Adjustment Account.
- The 2013-14 Land and Buildings carrying value is restated downwards by £5.7m in order to remove depreciation and revaluations of Voluntary Controlled schools (-£0.0m), treat Voluntary Controlled spend as Revenue Expenditure Funded from Capital Under Statute (REFCUS) (-£4.5m) and to depreciate Foundation school assets (-£1.2m). The 2013-14 Assets Under Construction carrying value is restated upwards by £0.4m to reinstate the previous removal of REFCUS expenditure on Foundation school assets that have not yet completed. The change in carrying value of Land and Buildings and Assets Under Construction is matched by a debit to the Revaluation reserve of £5.4m and a credit to the Capital Adjustment Account of 0.1m.

See [note 42](#) for further details.

### KEY PROJECTS AND ACTIVITIES

#### Academy Conversions

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

As at 31 March 2015, a total of 69 schools had either opened as academies (including free schools) or converted to academy status. A further 8 primary schools converted to academy status during 2014-15, leaving 169 maintained primary schools. All but one of Cambridgeshire secondary schools are now academies.

Although over 180 schools remain 'grant maintained' by the Council, the conversion of schools in 2014-15 means a sizeable proportion of school spending, assets and workforce is no longer reported as part of the Council's accounts.

Academies produce their own financial statements.

#### School Building and Improvements

##### Thorndown Primary School

As a recently amalgamated school, which previously functioned as separate infant and junior schools, the former junior school building, together with the mobile accommodation situated on the primary school site, was replaced with the construction of a two-story new build extension.

## EXPLANATORY FOREWORD

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The extended school provides an additional form of entry for the primary school which has allowed the school to expand on its existing site from 420 to 630 places. It has also increased the number of early years and childcare places by providing an additional 26 places for 3-4 year-olds, and 24 places for 2-year-olds.

The new build consisted of eighteen new classrooms for year groups 1 to 6, together with a new learning street, discovery centre, staff and administration areas and a large hall. The works also comprised the refurbishment of the existing Infants' block to provide reception classrooms, an after-school club and playgroup facility, at a total cost of £9.96m.

### Isle of Ely Primary School

The school is required to support the need that already exists within Ely for additional pupil places and provide further new places to meet the anticipated demand generated by the proposed housing development to the north of Cam Drive.

The scheme will provide a new 630-place primary school and a 2-room Early Years setting for the north of Ely together with car parking, landscaping and outdoor sports pitches, at a total cost of £16.77m.

### Connecting Cambridgeshire

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

The fibre broadband rollout is on track to reach 97,000 premises across Cambridgeshire and Peterborough by the end of 2015. Speed uplift in many areas has been significant and take-up of new fibre services is already above the national average.

Plans are in place to deliver a second phase of infrastructure roll-out to 2017 to extend fibre broadband coverage in overstated commercial and hard to reach areas as well as new housing developments. This will be supported with up to £3m additional Government and EU funding.

Additional Government and European funding has also been secured to launch free public building WiFi and to help businesses improve connectivity.



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### Cambridge North Station

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

Following the Council's lead on the development phase of the project, Network Rail and the Department for Transport have now taken over full responsibility for the delivery phase of the scheme, including the detailed design and construction of the works on the Chesterton sidings site. The Government confirmed the funding for the Station in the 2014 Autumn Statement. Work is expected to be complete by December 2016.

The Government also provided the Council with a £6m grant in 2014-15 for access works including the extension of the Busway and cycle and footway links to the station. The Council is delivering the extension of the Busway and adjoining maintenance track and cycleway, which will be complete by the end of June 2015, when sections of the cycle path will be brought into use to link Nuffield Road to Milton Road.



### Cambridge City Deal

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



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- Creating an infrastructure investment fund that includes a payment-by-results mechanism to unlock up to £500 million in capital funding from Government;
- Accelerating delivery of 33,480 planned homes;
- Enabling the delivery of 1,000 extra new homes on rural exception sites;
- Delivering over 400 new apprenticeships in key growth sectors for young people;
- Providing an estimated £1 billion local and national public sector investment (including local capital expenditure and developer contributions, etc.), enabling an estimated £4 billion of private sector investment in Greater Cambridge;
- Underpinning the creation of 45,000 new jobs;
- Creating a governance arrangement for joint decision-making between the local Councils.

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

The partner councils are preparing to come together to form a proposed Joint Venture (subject to final Member approval) to draw in land holdings and external investment to deliver both the additional affordable housing agreed through the deal and the existing affordable / social housing investment plans of the councils and the University of Cambridge. The local partners have also agreed to establish a Skills Service, drawing upon the experience of the Local Enterprise Partnership's pilot in the north of the county and surrounding areas, to provide a coordination and brokerage role between businesses, training providers and the local community and to bring together providers and businesses to jointly develop training that meets employers' needs, enhances the employability of local young people, and supports business growth. To deliver all of this, the partners have established an Executive Board that leads this work on behalf of the five partner organisations, advised by a Joint Assembly that encompasses wider stakeholder views. This provides a coordinated approach to the overall strategic vision underpinning the City Deal.

For further details please visit [www.greatercambridgacitydeal.co.uk](http://www.greatercambridgacitydeal.co.uk).

### **Making Assets Count Programme**

The Making Assets Count (MAC) programme is one of the key partnerships in relation to the overarching Capital Strategy, and allows all public sector partners to effectively collaborate on strategic asset management and rationalise the combined operational property estate within the County.



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MAC projects include the delivery of a Joint Highways Depot for public sector partners in the south of Cambridgeshire (co-locating highway, fleet service and vehicle storage services) and partner co-locations across Cambridgeshire to reduce revenue costs and maintain service provision.

### Public Health Reform

On 1 April 2013 Public Health staff and services were transferred from primary care trusts (PCTs) to local authorities. The Public Health Service is concerned with understanding the health, wellbeing and care needs of our local communities, commissioning and delivering a range of preventive public health services, and ensuring that 'health inequalities' are tackled by improving the health of the poorest members of our community. The primary aims are to ensure action is taken to protect the health of the public; prevent ill-health; promote healthy lifestyles and provide public health advice to the local NHS.

### Ely Southern Bypass

The Ely southern bypass is a proposed new road connecting the A142 at Angel Drove to Stuntney Causeway, including bridges over the railway line and the River Great Ouse and its floodplains. The image below shows the location of the new bypass in green. It has been confirmed that Growth Deal funding of £16 million will be directed to the scheme, in addition to the existing Local Transport Body allocation of £6 million.

Following planning approval in September 2014, consideration has been given to contract procurement options. This has taken account of a recent independent review of the procurement and management of the Guided Busway contract. This work has indicated that a 'Two-Stage Early Contractor Involvement' (ECI) type of contract would provide the best mechanism to utilise a contractor's experience in the design to minimise project risk. This arrangement was approved by the Economy and Environment Committee at its meeting on 25 November 2014. Specialists are being appointed to prepare the contract and to monitor its operation and management. It is anticipated that the EU tender process will be completed and the ECI contract will be awarded in December 2015, and that the scheme will be completed in autumn 2017.



## EXPLANATORY FOREWORD

### Multi-Agency Safeguarding Hub

The Multi-Agency Safeguarding Hub is a partnership approach to safeguarding children and adults within Cambridgeshire and Peterborough with key objectives of improving the early identification and understanding of risk, facilitating victim identification and intervention, and improving harm identification and reduction. The aim is to share information, knowledge, experience and skills through a more integrated service, in order to prevent duplication of efforts and ensure that children and adults receive the best possible service.

### 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 £438m at 1 April 2014 to £559m at 31 March 2015. Financial assumptions at 31 March 2015 were less favourable than they were at 31 March 2014, resulting in an increase to the value of the Fund's liabilities. However, the actual investment return on the Fund's assets during 2014-15 was higher than the typical expected asset return at the start of the year. Overall, this combination of higher than expected investment returns, offset by worsening financial assumptions, has resulted in a significant increase in the deficit amount. This deficit will be managed by increased employer contributions over the remaining working life of employees, as assessed by the actuary.

### LGSS

LGSS is the shared back office operation created by Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) in October 2010. It provides a wide range of strategic, professional, operational and transactional services including Finance, Property, Pensions, Legal, Procurement, Audit, HR, IT and Transactional Financial Services.

It is governed by a Joint Committee with the financial transactions of each shareholder county included in the respective county's statutory accounts. LGSS prepares a separate Annual Report (Statement of Accounts and Annual Governance Statement), which is audited by the appointed independent auditor of NCC.

The LGSS overall performance for 2014-15 is summarised below:

	2014-15 Budget £000	2014-15 Expenditure £000	2014-15 Variance £000
<b>Northampton Office</b>	12,860	12,534	-326
<b>Cambridge Office</b>	10,478	10,152	-326
<b>Total</b>	<b>23,338</b>	<b>22,686</b>	<b>-652</b>

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All surpluses and deficits, after any retained earnings re-invested by LGSS, are shared on a 50:50 arrangement via a dividend to each of the host authorities.

See [note 31](#) (page 86) for further information.



### FUTURE CHALLENGES

Looking forward, cost pressures are forecast to outstrip available resources, given the rising costs caused by inflation, growth and associated demographic pressures combined with reduced levels of funding. Consequently, the Council needs to make significant savings to close the budget gap.

Achieving these savings over the next five years will require the making of tough decisions on which services to prioritise. During the last few years services have made significant savings through increasing efficiency and targeting areas that are not our highest priority with the aim of minimising the impact on our service users. With no respite from the continuing cuts to our funding, we have entered an environment where further efficiencies are unlikely to be sufficient to cover the budget deficit. We must accept therefore that service reductions are inevitable.

The following table illustrates the current size of the challenge that lies ahead (as presented to Council on the 17 February 2015), as it sets out the latest annual savings requirement:

	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
<b>Total Savings Requirement For The Year</b>	<b>29,797</b>	<b>33,277</b>	<b>25,366</b>	<b>20,798</b>	<b>9,709</b>	<b>118,947</b>
2015-16 Ongoing Savings		29,797	29,797	29,797	29,797	
2016-17 Ongoing Savings			33,277	33,277	33,277	
2017-18 Ongoing Savings				25,366	25,366	
2018-19 Ongoing Savings					20,798	
<b>Total Savings For The Year (Including Ongoing Savings)</b>		<b>63,074</b>	<b>88,440</b>	<b>109,238</b>	<b>118,947</b>	
<b>Cumulative Savings Requirement</b>	<b>29,797</b>	<b>92,871</b>	<b>181,311</b>	<b>290,549</b>	<b>409,496</b>	

# EXPLANATORY FOREWORD

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## CONCLUSION

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

Chris Malyon  
Chief Finance Officer (Section 151 Officer)  
22 September 2015

## FURTHER INFORMATION

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

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

Telephone: 01223 715333

Email: [corporate.finance@cambridgeshire.gov.uk](mailto:corporate.finance@cambridgeshire.gov.uk)

Web: [Statement of Accounts](#)

# INDEPENDENT AUDITORS' REPORT

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, Cambridgeshire County Council's financial statements (the "financial statements"):

- give a true and fair view of the state of the Authority's affairs as at 31 March 2015 and of the Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014-15.

#### What we have audited

The financial statements comprise:

- the Balance Sheet as at 31 March 2015;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 supported by the CIPFA Service Reporting Code of Practice for Local Authorities 2014-15.

In applying the financial reporting framework, the Chief Finance Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### OPINION ON OTHER MATTER PRESCRIBED BY THE CODE OF AUDIT PRACTICE

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or

# INDEPENDENT AUDITORS' REPORT

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Our responsibilities and those of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 21 the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014-15.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Finance Officer; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Chief Finance Officer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

# INDEPENDENT AUDITORS' REPORT

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We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## REPORT ON THE PENSION FUND ACCOUNTS

### Our opinion

In our opinion, the pension fund accounts contained within the Statement of Accounts of Cambridgeshire County Council (the "pension fund accounts"):

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015, and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

### What we have audited

The pension fund accounts comprise:

- the Net Assets Statement as at 31 March 2015;
- the Fund Account for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

In applying the financial reporting framework, the Chief Finance Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## OPINION ON OTHER MATTER PRESCRIBED BY THE CODE OF AUDIT PRACTICE

In our opinion, the information given in the explanatory foreword for the financial year for which the pension fund accounts are prepared is consistent with the pension fund accounts.



# INDEPENDENT AUDITORS' REPORT

## RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS AND THE AUDIT

### Our responsibilities and those of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 26 the Chief Finance Officer is responsible for the preparation of the Pensions Fund accounts and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of pension fund accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounts sufficient to give reasonable assurance that the pension fund accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Finance Officer; and
- the overall presentation of the Pension Fund Accounts.

We primarily focus our work in these areas by assessing the Chief Finance Officer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited pension fund accounts and to identify any



# INDEPENDENT AUDITORS' REPORT

information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## CONCLUSION ON THE AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

### Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 13 October 2014, we are satisfied that, in all significant respects, Cambridgeshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

### What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 13 October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Our responsibilities and those of the Authority

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered,

## INDEPENDENT AUDITORS' REPORT

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whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We certify that we have completed the audit of the financial statements of Cambridgeshire County Council and of the pension fund accounts of Cambridgeshire Pension Fund in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Clive Everest (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
10 Bricket Road,  
St. Albans,  
Hertfordshire,  
AL1 3JX

Date: 30 September 2015

- (a) The maintenance and integrity of the Cambridgeshire County Council website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts may differ from legislation in other jurisdictions.

# STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

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## STATEMENT OF RESPONSIBILITIES

### THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- 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;
- Approve the Statement of Accounts.

### THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

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

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

The Chief Finance Officer also has to have:

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

## CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2015 and its income and expenditure for the year 2014-15, and authorise the accounts for issue.

Chris Malyon  
Chief Finance Officer  
Date: 22 September 2015

# STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

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## APPROVAL OF ACCOUNTS

I confirm that these accounts were approved by the Council at the meeting of the Audit and Accounts Committee held on 22 September 2015.

Signed on behalf of  
Cambridgeshire County Council:

Cllr. Michael Shellens  
Chairman of the Audit and Accounts Committee  
Date: 22 September 2015

## MOVEMENT IN RESERVES STATEMENT

	General Fund <sup>1</sup>	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total <sup>1</sup>	Unusable Reserves Total <sup>1</sup>	Reserves Total
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1-Apr-13</b>	<b>5,364</b>	<b>60,218</b>	<b>1,446</b>	<b>25,685</b>	<b>92,713</b>	<b>732,551</b>	<b>825,264</b>
Movement in 2013-14:							
<a href="#">Deficit on the provision of services</a>	-105,549	-	-	-	-105,549	-	-105,549
<a href="#">Other comprehensive income and expenditure</a>	0	-	-	-	-	39,750	39,750
<b>Total comprehensive income and expenditure</b>	<b>-105,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-105,549</b>	<b>39,750</b>	<b>-65,799</b>
<a href="#">Adjustments between accounting and funding basis under regulations (note 7)</a>	106,356	-	-7	-10,883	95,466	-95,466	-
<b>Increase/ decrease (-) before transfers to earmarked reserves</b>	<b>807</b>	<b>-</b>	<b>-7</b>	<b>-10,883</b>	<b>-10,083</b>	<b>-55,716</b>	<b>-65,799</b>
Transfers from earmarked reserves	6,165	-6,165	-	-	-	-	-
<b>Increase/ decrease (-) in 2013-14</b>	<b>6,972</b>	<b>-6,165</b>	<b>-7</b>	<b>-10,883</b>	<b>-10,083</b>	<b>-55,716</b>	<b>-65,799</b>
<b>Balance at 31-Mar-14</b>	<b>12,336</b>	<b>54,053</b>	<b>1,439</b>	<b>14,802</b>	<b>82,630</b>	<b>676,835</b>	<b>759,465</b>
Movement in 2014-15:							
<a href="#">Deficit on the provision of services</a>	-7,229	-	-	-	-7,229	-	-7,229
<a href="#">Other comprehensive income and expenditure</a>	-	-	-	-	-	67,535	67,535
<b>Total comprehensive income and expenditure</b>	<b>-7,229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-7,229</b>	<b>67,535</b>	<b>60,306</b>
<a href="#">Adjustments between accounting and funding basis under regulations (note 7)</a>	11,489	-	-	1,048	12,537	-12,537	-
<b>Increase/ decrease (-) before transfers to earmarked reserves</b>	<b>4,260</b>	<b>-</b>	<b>-</b>	<b>1,048</b>	<b>5,308</b>	<b>54,998</b>	<b>60,306</b>
<a href="#">Transfers from earmarked reserves (note 8)</a>	-595	595	-	-	-	-	-
<b>Increase/ decrease (-) in 2014-15</b>	<b>3,665</b>	<b>595</b>	<b>-</b>	<b>1,048</b>	<b>5,308</b>	<b>54,998</b>	<b>60,306</b>
<b>Balance at 31-Mar-15</b>	<b>16,001</b>	<b>54,648</b>	<b>1,439</b>	<b>15,850</b>	<b>87,938</b>	<b>731,833</b>	<b>819,771</b>

<sup>1</sup>Restated for the schools prior period adjustment as detailed in note 42.

This statement shows the reserves held by the Council, analysed into 'usable' and 'unusable'. The 'Deficit on the provision of services line' shows the true cost of providing services, which are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Increase / decrease before transfers to / from earmarked reserves' line shows the General Fund Balance before discretionary transfers.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<sup>1</sup> Restated 2013-14				2014-15		
<sup>1</sup> Gross Expenditure	Gross Income	<sup>1</sup> Net Expenditure/ Income (-)		Gross Expenditure	Gross Income	Net Expenditure/ Income (-)
£000	£000	£000		£000	£000	£000
2,874	-1,207	1,667	Central services to the public	3,546	-1,325	2,221
11,469	-1,174	10,295	Culture and related services	11,089	-1,209	9,880
28,234	-5,519	22,715	Environment and regulatory services	30,629	-8,847	21,782
7,363	-3,574	3,789	Planning services	6,487	-3,140	3,347
446,192	-301,088	145,104	Education and children's services	413,211	-310,658	102,553
58,716	-8,648	50,068	Highways and transport services	60,431	-15,896	44,535
206,820	-44,214	162,606	Adult social care	206,174	-57,681	148,493
21,313	-14,887	6,426	Corporate and democratic core	26,459	-16,655	9,804
-1,880	-191	-2,071	Non distributed costs	-1,152	-188	-1,340
20,650	-21,370	-720	Public Health	20,453	-20,453	-
<b>801,751</b>	<b>-401,872</b>	<b>399,879</b>	<b>Cost Of Services</b>	<b>777,327</b>	<b>-436,052</b>	<b>341,275</b>
114,292	-	114,292	Other operating expenditure (note 9)	16,308	-	16,308
44,072	-641	43,431	Financing and investment income/ expenditure (note 10)	43,557	-1,144	42,413
-	-452,053	-452,053	Taxation and Non-Specific Grant Income (note 11)	-	-392,767	-392,767
		<b>105,549</b>	<b>Surplus (-) or Deficit on Provision of Services</b>			<b>7,229</b>
		<b>-28,496</b>	Surplus on revaluation of long-term assets			<b>-170,107</b>
		<b>10,154</b>	Impairment losses charged to the Revaluation Reserve			<b>2,351</b>
		<b>-21,408</b>	Remeasurement of net defined benefit/ liability			<b>100,221</b>
		<b>-39,750</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-67,535</b>
		<b>65,799</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-60,306</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment (note 42) and the reclassification of the Public Health grant.

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

# BALANCE SHEET AS AT 31 MARCH 2015

<sup>1</sup> Restated <sup>1</sup> 1-Apr-13 £000	<sup>1</sup> Restated <sup>1</sup> 31-Mar-14 £000		Note	31-Mar-15 £000
1,751,613	1,706,546	Property, Plant and Equipment	<a href="#">12</a>	1,899,344
20,708	20,715	Heritage Assets	<a href="#">13</a>	20,716
4,106	3,569	Long Term Receivables	<a href="#">14</a>	3,139
<b>1,776,427</b>	<b>1,730,830</b>	<b>Long Term Assets</b>		<b>1,923,199</b>
-	-	Investments		50
422	1,100	Assets Held for Sale	<a href="#">16</a>	1,098
392	736	Inventories		671
86,902	70,154	Short Term Receivables	<a href="#">17</a>	65,508
22,543	43,930	Cash and Cash Equivalents	<a href="#">18</a>	37,724
<b>110,259</b>	<b>115,920</b>	<b>Current Assets</b>		<b>105,051</b>
-3,061	-1,681	Cash and Cash Equivalents	<a href="#">18</a>	-262
-3,675	-3,514	Short Term Borrowing	<a href="#">15</a>	-26,557
-100,388	-119,893	Short Term Payables	<a href="#">19</a>	-102,196
-5,647	-4,535	Provisions	<a href="#">20</a>	-6,172
-24,131	-17,405	Capital Grants and Contributions Receipts in Advance	<a href="#">30</a>	-29,864
<b>-136,902</b>	<b>-147,028</b>	<b>Current Liabilities</b>		<b>-165,051</b>
-4,721	-4,718	Provisions	<a href="#">20</a>	-3,612
-374,022	-379,125	Long Term Borrowing	<a href="#">15</a>	-356,190
-532,809	-539,779	Other Long Term Liabilities		-670,651
-12,968	-16,635	Capital Grants and Contributions Receipts in Advance	<a href="#">30</a>	-12,975
<b>-924,520</b>	<b>-940,257</b>	<b>Long Term Liabilities</b>		<b>-1,043,428</b>
<b>825,264</b>	<b>759,465</b>	<b>Net Assets</b>		<b>819,771</b>
92,713	82,630	Usable Reserves	<a href="#">21</a>	87,938
732,551	676,835	Unusable Reserves	<a href="#">22</a>	731,833
<b>825,264</b>	<b>759,465</b>	<b>Total Reserves</b>		<b>819,771</b>

<sup>1</sup>Restated for the schools prior period adjustment as detailed in note 42.

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the level of reserves held by the Council.

'Usable' reserves are those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). 'Unusable' reserves are those that are not able to be used to provide services and include those that hold unrealised gains and losses (i.e. Revaluation Reserve), where amounts only become available to use if assets are sold; and reserves that hold timing differences.

Chris Malyon (Chief Finance Officer)

Date: 22 September 2015

The notes on pages 32 to 152 form part of the financial statements.

# CASH FLOW STATEMENT

<sup>1</sup> 2013-14 £000		2014-15 £000
<b>105,549</b>	<b>Net deficit on the provision of services</b>	<b>7,229</b>
-34,736	Depreciation	-38,985
10,239	Impairment and downward valuations	34,252
1,012	Increase in impairment for bad debts	-739
-20,701	Increase (-)/ decrease in payables	-3,907
-17,760	Increase/ decrease (-) in receivables	17,919
344	Increase/ decrease (-) in inventories	-65
19,359	Movement in pension liability	21,248
-119,998	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-21,284
-6,580	Other non-cash items charged to the deficit on the provision of services	-7,816
<b>-168,821</b>	<b>Adjustments to the net deficit on the provision of services for non-cash movements:</b>	<b>623</b>
6,079	Proceeds from the sale of property, plant and equipment	5,349
24,223	Any other items for which the cash effects are investing or financing cash flows	-5,431
<b>30,302</b>	<b>Adjustments for items included in the deficit on the provision of services that are investing and financing activities</b>	<b>-82</b>
<b>-32,970</b>	<b>Net cash flows from Operating Activities</b>	<b>7,770</b>
85,373	Purchase of property, plant and equipment	51,076
-	Purchase of short-term and long-term investments	50
-6,079	Proceeds from the sale of property, plant and equipment	-5,349
-56,422	Other receipts from investing activities	-38,973
<b>22,872</b>	<b>Investing Activities</b>	<b>6,804</b>
-36,831	Cash receipts of short and long-term borrowing	-26,705
-7,728	Other receipts from financing activities	-9,680
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	1
31,890	Repayments of short and long-term borrowing	26,597
<b>-12,669</b>	<b>Financing Activities</b>	<b>-9,787</b>
<b>-22,767</b>	<b>Net increase (-)/ decrease in cash and cash equivalents</b>	<b>4,787</b>
19,482	Cash and cash equivalents at the beginning of the reporting year	42,249
<b>42,249</b>	<b>Cash and cash equivalents at the end of the reporting year (<a href="#">note 18</a>)</b>	<b>37,462</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment as detailed in note 42.

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



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2014-15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2014-15](#) and the [Service Reporting Code of Practice 2014-15 \(SeRCOP\)](#), supported by [International Financial Reporting Standards \(IFRS\)](#). The accounts are prepared on a historical cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of certain categories of property, plant and equipment. The accounting policies have been consistently applied where appropriate.

### BASIS OF ACCOUNTING

The following accounting concepts have been applied in preparing the accounts to ensure that they are:

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

### ESTIMATING TECHNIQUES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Accounts and the reported

## NOTES TO THE CORE FINANCIAL STATEMENTS

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amounts of income and expenditure during the reporting year. Actual results could differ from those estimates.

Where it is necessary to choose between different estimation techniques, the Council selects whichever technique is judged to be the most appropriate to its particular circumstances for the purposes of presenting the financial position in the accounts fairly. Estimates are used principally when accounting for certain government grants, financial asset impairment allowances, depreciation, asset revaluations and impairment, employee pension schemes, provisions for liabilities and charges and for reserves. Estimates are also used for receivables and payables where invoices have yet to be issued or received.

### 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.

### ACCOUNTING FOR SCHOOLS

The change to the *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority. This change in the Council's accounting policy and specific treatment of school long-term asset balances is shown within the Property, Plant and Equipment policy (see page 34).

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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.

Infrastructure, Community Assets, and Assets Under Construction have been included in the Balance Sheet at historical cost. The cost therefore includes the original purchase price of the asset and the costs attributable to bringing the asset to a working condition for its intended use. Assets other than Infrastructure, Community Assets, and Assets Under Construction have been included in the Balance Sheet at their fair value. The valuation of the farms estate, included within the Land and Building figures, is based on a discounted cash flow of future rental income and capital receipts. Assets identified as surplus to requirements are also measured at fair value based on existing use, and Assets Held for Sale are measured at market value. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The Council carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at fair value are reviewed at least every five years. In order to ensure that values are kept in line with fair values, in the interim, the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. The majority of valuations were carried out internally by RICS registered valuers, however 31% of valuations were undertaken by external RICS registered valuations consultants, NPS Property Consultants Limited. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors Valuation. The effective date of revaluations is the 1 April.

Asset components are split at high level into Land and Buildings, with the buildings 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. All assets within the Council's property portfolio have been split into their respective components; all of these assets and any new asset additions have now been revalued and depreciated based on updated useful lives. Therefore the Council's Balance Sheet now reflects the full impact of asset componentisation.

New acquisitions are brought into the accounts at cost and revalued in the following year. Assets costing less than £20,000, or revalued to less than £20,000 and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement. Assets that are subject to part disposals are revalued in the year of disposal.

The assets of local authority maintained schools are recognised in the Council's financial statements, subject to the usual accounting requirements for long-term assets. Therefore, if there are any specific arrangements in place whereby the control of the asset does not lie with the local authority, then the assets 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

academy school assets on a 125-year lease, and as such they are subject to lessor finance lease policies (see leases policy, pages 36-38). 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.

### CAPITAL ACCOUNTING

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

- **The Revaluation Reserve** - this contains the balance of the surpluses or deficits arising on the periodic revaluation of property, plant and equipment. The Revaluation Reserve contains only gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account;
- **The Capital Adjustment Account** - this absorbs the timing differences arising from the different arrangements for accounting for the consumption of property, plant and equipment and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement, via charges for depreciation, impairment losses and amortisations which are initially debited to the Comprehensive Income and Expenditure Statement. These are then transferred in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account. Reconciling postings from the Revaluation Reserve convert the fair value figures to a historical cost basis. The account is also credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The above accounts are not available to fund future expenditure.

### CAPITAL RECEIPTS

When an asset is disposed of the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals, net of costs of disposal, are also credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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;
- 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). 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 (i.e. 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.

### DEPRECIATION

Land is held at fair 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 for assets without a determinable finite useful life (i.e. Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is applied using the following month convention, where depreciation 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Buildings (including Surplus Assets) – 5 to 50 years, in line with the Council's componentisation policy which specifies different useful economic lives according to the type and condition of the component;
- Vehicles, Plant, Furniture and Equipment (all of these categories only relate to PFI schemes) – 3 to 26 years;
- Infrastructure – 40 years.

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

### NON-CURRENT ASSETS HELD FOR SALE

Assets are generally defined as 'held for sale' if their value is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives. Transactions including exchanges of non-current assets are also included where the exchange is material. To qualify assets must meet the following criteria:

- must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- must be actively marketed for a sale at a price that is reasonable in relation to the current value;
- the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Once identified, 'held for sale' assets are revalued immediately before reclassification and then carried at the lower of this amount or market value less costs to sell. Where there is a subsequent decrease to market value less costs to sell, the loss is posted to the 'Other Operating Expenditure' line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the 'Surplus or Deficit on Provision of Services'. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as 'held for sale', they are reclassified back to 'Property, Plant and Equipment' and valued at the lower of:

- their balance sheet value before they were classified as 'held for sale', which is adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been reclassified; and
- and their recoverable amount at the date of the decision not to sell.



# NOTES TO THE CORE FINANCIAL STATEMENTS

## HERITAGE ASSETS

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

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

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

- Archives collections – recognised in the Balance Sheet at insurance valuation where available;
- Museum collections – recognised in the Balance Sheet at insurance valuation;
- Art works – recognised in the Balance Sheet at insurance valuation;
- Archaeological artefacts and ecofacts – not recognised on balance sheet due to a lack of reliable valuation information;
- Civic regalia – not recognised on balance sheet due to being considered as immaterial and a lack of reliable valuation information.

The Council reviews the carrying amounts of heritage assets carried at valuation on a yearly basis to ensure they remain current. Depreciation is not charged on heritage assets which have indefinite lives, but impairment reviews are carried out where there is physical deterioration or if new doubts as to the authenticity of the Heritage Asset exist.

## FINANCIAL LIABILITIES

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

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### FINANCIAL ASSETS

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

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

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

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



# NOTES TO THE CORE FINANCIAL STATEMENTS

## GOVERNMENT GRANTS

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

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

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

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

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

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

## COUNCIL TAX

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Council, as a major preceptor, is therefore required to include the appropriate share of the Council Tax receivables in its Balance Sheet as well as an appropriate share of the Collection Fund surplus / deficit for the year within its Comprehensive Income and Expenditure Statement.

### LONG-TERM CONTRACTS

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### PRIVATE FINANCE INITIATIVE (PFI) SCHEMES

PFI contracts are agreements to receive services, where the responsibility for making available the long-term assets needed to support the delivery of those services passes to the PFI contractor in return for an annual fee. The Code of Practice requires that PFI contracts are accounted for in a manner consistent with the adoption of *International Financial Reporting Interpretations Committee (IFRIC) 12: Service Concession Arrangements* as contained in the Government's *Financial Reporting Manual (FrM)*, 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 fair 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:

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

### LEASES

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

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

#### ■ Council as Lessee

##### Finance leases

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Operating leases

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

### ■ Council as Lessor

#### Finance leases

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

Lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property (applied to write down the lease debtor (together with any premiums received)), and finance income.

However, in the case of academy schools the Council does not recognise a long term debtor on the Balance Sheet. This is because the assets are transferred as 125 year leases which is deemed too long to be certain of any receivable value at the end of the lease period.

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Operating leases

Where the Council grants an operating lease over a property, or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are 'adjusting' and 'non-adjusting' events, both favourable and unfavourable, that occur between the end of the reporting year and the date when the Statement of Accounts is authorised for issue.

An 'adjusting' event is where evidence of the conditions of that event existed at the Balance Sheet date. A 'non-adjusting' event is indicative of conditions that arose after the Balance Sheet date, but prior to the issue of these accounts.

Material events that relate to conditions that did not exist at the Balance Sheet date are disclosed by way of a note to the financial statements.

## INVENTORIES

Inventories such as educational equipment, catering equipment, and salt stocks for winter road maintenance, are included in the Balance Sheet at the lower of cost and net realisable value. Inventories are valued on a 'First-In First-Out' (FIFO) basis. Work in progress is recognised at cost and held in the Balance Sheet until the work has been completed. Provision is made, if necessary, for slow moving, obsolete and defective inventory.

## CASH AND CASH EQUIVALENTS

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

## POST EMPLOYMENT BENEFITS

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

- **The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE);

# NOTES TO THE CORE FINANCIAL STATEMENTS

- **The Local Government Pension Scheme**, administered by Cambridgeshire County Council.

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

## **The Teachers' Pension Scheme**

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

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

## **The Local Government Pension Scheme (LGPS)**

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

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on an index of AA rated corporate bonds with maturities in excess of 15 years);
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - ▶ quoted securities – market value
  - ▶ unquoted securities – professional estimate
  - ▶ unitised securities – average of the bid and offer rates
  - ▶ property – market value;
- The change in the net pension liability is analysed into service cost and remeasurement components.

Service Cost elements comprise:

- ▶ **Current service cost:** the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- ▶ **Past service cost:** the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement;



## NOTES TO THE CORE FINANCIAL STATEMENTS

- ▶ **Net interest on the net defined benefit liability** (i.e. the net interest expense for the Council) – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the year, taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments.

Remeasurements comprise:

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

The above presentation of the net pensions liability is a change to previous years in accordance with amendments to IAS19 (Revised 2011).

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

### OVERHEADS AND THE ALLOCATION OF SUPPORT SERVICE COSTS

The full costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the total absorption costing principles of the [SeRCOP 2014-15](#). Where the level of service is under the control of the Service Director, a specific charge for that service is made. No recharges are made for costs that are classified as Corporate and Democratic Core or non-distributed costs.

### RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and recorded against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so



## NOTES TO THE CORE FINANCIAL STATEMENTS

that there is no net charge against council tax for the expenditure. The Council's reserves are categorised as follows:

- **Usable reserves** - those reserves that contain resources that an authority can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on exactly what the resources can be applied to. The Council's usable reserves include the General Fund balance and Earmarked reserves;
- **Unusable reserves** – those that an authority is not able to utilise to provide services. This category of reserves includes:
  - ▶ Reserves that hold unrealised gains and losses (the Revaluation Reserve), where amounts will only become available to provide services (or limit resources in the case of losses) once the gains/ losses are realised as the assets are disposed of.
  - ▶ Adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards as adopted by the Code. The accounts will carry either a debit balance (showing that the Council is required by statute to fund its expenditure more slowly than accounting standards would expect) or a credit balance (where the Council has set resources aside under statute earlier than accounting standards require). Examples of this category of reserves are the Capital Adjustment Account, Pensions Reserve and the Accumulated Absences Account.

### DEBT REDEMPTION

The Council is required to make a provision for the repayment of debt in accordance with guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. From 2011-12 onwards the Council will only make a provision to repay debt on assets that are complete. Under option 3 of the Minimum Revenue Provision (MRP) guidance, charges will be spread over the estimated life of the asset in equal instalments.

The major proportion of the MRP will relate to the historic debt liability up to 31 March 2007 that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. This 'base' Capital Financing Requirement (CFR) position will be reduced by the MRP charged against it annually. From 1 April 2007 onwards, expenditure on completed assets will be subject to MRP charges based on the estimated useful life of the assets created.

Estimated life periods will be determined under delegated powers. To the extent that expenditures do not create an asset and are of a type that are subject to estimated life periods that are referred to in the guidance, these estimated life periods will generally be adopted by the Council. However, in the case of long term receivables arising from loans or other types of capital expenditure made by the Council which will be repaid under separate credit arrangements such as leasing and PFI, there will be no MRP made.

The Council is satisfied that a prudent provision will be achieved after exclusion of capital expenditure.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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In view of the variety of types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Whatever the type of expenditure, it will be grouped in a manner which reflects the nature of the main component of expenditure, and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.

The policy will be reviewed annually to ensure prudence is achieved from using the options available and the option to delay charges until the year after the asset comes into operation (the MRP holiday) will be used where applicable.

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

### PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will probably require settlement by a transfer of economic benefits or service potential, and where a reliable estimate can be made of the amount of the obligation.

Provisions are presented on the face of the Balance Sheet as either current or non-current liabilities. Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events that may or may not be incurred by the Council depending on the outcome of one or more uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities

## NOTES TO THE CORE FINANCIAL STATEMENTS

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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.

### PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively (i.e. in the current and future years affected by the change), and do not create a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, events and other conditions on the Council's financial position and performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### EMPLOYEE BENEFITS

Cambridgeshire County Council offers a number of voluntary benefits such as discounted gym membership. However, these do not incur a cost to the Council. Benefits that incur a cost to the Council include entry into a government pension scheme, flexible retirement policy, provision of a staff counselling service and a childcare voucher salary sacrifice scheme.

Termination benefits can be broadly classified into two categories: Redundancy Pay and benefits relating to Mutually Agreed Terminations or Compromise Agreements. Redundancy Payments are calculated in accordance with statutory redundancy pay. Mutually Agreed Terminations or Compromise Agreements are for use in exceptional circumstances where there are serious concerns regarding the long-term management or establishment of a team. Any payments must be considered reasonable and are subject to challenge by External Audit.

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

The standards which have been introduced by the 2015-16 Code and will be effective from 1 April 2015 are not anticipated to have a material impact on the Council's accounts. These are as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

- **IFRS 13: Fair Value Measurement** - this is a new standard that requires the Council to measure its assets and liabilities at fair value (market value), and provide disclosures where the Code requires. The measurement requirements for property, plant and equipment will not be subject to change although disclosures about valuation are to be enhanced. Investment assets and all other surplus assets, which are currently measured at existing use valuation, will be required to be measured at fair value, again with new disclosure requirements. Any amendments due to the adoption of this IFRS will be prospective.
- **IFRIC 21: Levies** – this standard provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

In addition to the above, the following issues have been included in the Annual Improvements to IFRSs 2011 – 2013 cycle:

- **IFRS 1: Meaning of effective IFRSs**
- **IFRS 3: Scope exceptions for joint ventures**
- **IFRS 13: Scope of paragraph 52 (portfolio exception)**
- **IAS 40: Clarifying the interrelationship of IFRS Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property**

All these revisions are effective for accounting years beginning on or after 1 January 2015.

### 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;
- Property valuations are provided by component on a rolling programme every five years by the Council's internal valuers, with moderation undertaken by independent external valuers. In order to validate use of the rolling programme to undertake valuations, the Council performs an annual exercise to determine whether there is any material misstatement in the overall asset portfolio. If it is concluded that there is a material misstatement, then the revaluations will be brought up to date either by revaluation or by use of indices. All valuations are prepared in accordance with the Council's respective accounting policy (see [note 1](#)). Depreciation of capital assets is based on their useful economic life and any increase or decrease in useful lives will affect the level of depreciation and the carrying value of the assets;
- The Council is subject to 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The likely liability and loss to the Council arising from legal claims and actions is determined based on prior years' experience and details of known claims and actions. Appropriate amounts are set aside to cover the assessed likely cost of such matters over the period in which they are likely to be settled and 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;

- The Council currently has 3 PFI contracts with private sector partners. These are as follows:
  - AmeyCespa Limited – to provide waste treatment and household waste facilities for the county until 2036;
  - Balfour Beatty plc. – to replace Cambridgeshire's existing Street Lighting network over the next 4 years, and subsequent maintenance until 2036; and
  - Equitix Learning Community Partnerships – for the construction of Thomas Clarkson Community College (with a concession period until January 2037) as part of the Building Schools for the Future programme.

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

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

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

# NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it less certain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Asset valuations are completed on a 5 year rolling basis and values are reviewed annually to ensure they are not materially misstated.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.8m for every year that useful lives had to be reduced.</p> <p>In order to ensure that carrying values are kept in line with fair values in the interim, the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. In 2014-15 the Council's assets were increased by £129m as a result of this exercise; however it was estimated that this adjustment would have been £13m higher, if the indices used had been 1% higher for each year of the 5 year rolling programme.</p>
<b>Provisions</b>	<p>The Council has made a provision of £6.0m for the settlement of insurance claims, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.</p>	<p>An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.6m to the provision needed.</p>
<b>Pension Liability</b>	<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"> <li>• 1 year increase in member life expectancy would result in an increase in the liability of approximately £41m (3%);</li> <li>• 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £139m (10%); and</li> <li>• 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £94m (7%).</li> </ul> <p>However, the various assumptions interact in complex ways. During 2014-15, the Council's actuaries advised that the net pension liability had increased by £121m, as a result of an increase in asset values of £87m, and an offsetting increase in liabilities of £208m. This is due to financial assumptions being less favourable at the 31 March 2015 than they were at the 31 March 2014, contrasted by higher actual investment return on funds.</p>
<b>Arrears</b>	<p>At 31 March 2015, the Council has current</p>	<p>If collection rates were to deteriorate, every increase</p>



# NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	receivables greater than 6 months old totalling £3.1m. A review of significant balances suggested that an impairment of 5% for debts in the 4-6 month age range, 20-25% in the 7-12 month range and 50-70% for debts over 12 months depending on the category of debt was appropriate. This produced a total bad debt provision of £0.65m.	of 10% in the impairment of doubtful debts would require an additional £222k to be set aside as an allowance.

## 5. MATERIAL ITEMS OF INCOME AND EXPENSE

For the purposes of this note the Council considers material items to be those greater than £20m. Material items of income and expenditure for 2014-15 and 2013-14 are as follows:

2014-15	£000
<b>Income</b>	
Council Tax	-236,229
Dedicated Schools Grant	-235,131
Revenue Support Grant	-72,017
Non-domestic Rates	-59,537
Public Health Grant	-21,450
<b>Expenditure</b>	
Actuarial loss on pension fund assets and liabilities	100,221
Loss on disposal of non-current assets	15,935

2013-14	£000
<b>Income</b>	
Dedicated Schools Grant	-238,943
Public Health Grant	-21,231
Council Tax	-226,856
Non-domestic Rates	-54,758
Actuarial gain on pension fund assets and liabilities	-21,408
<b>Expenditure</b>	
Loss on disposal of non-current assets (primarily a result of schools converting to academy status)	113,919

## 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



# NOTES TO THE CORE FINANCIAL STATEMENTS

of the Council up to the date when this Statement of Accounts was authorised for issue by the Chief Finance Officer.

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

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

### Schools converting to Academy status

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

A further 3 schools have, or are expected to convert to Academy status before the 31 March 2016, with further conversions expected to take place in future years. By 30 September 2015, local authority maintained schools with a net book value totalling £57.5m will have converted to Academy status since the Balance Sheet date. As with schools already converted, the assets of these schools will be derecognised from the Council's Balance Sheet in 2015-16.

## 7. 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 2014-15:

2014-15	Usable Reserves			Unusable Reserves
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	38,985	-	-	-38,985
Revaluation gains reversing previous revaluation losses on Property Plant and Equipment	-34,252	-	-	34,252
Revenue expenditure funded from capital under statute	7,157	-	-	-7,157
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21,284	-	-	-21,284
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				

# NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15	Usable Reserves			Unusable Reserves
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Statutory provision for the financing of capital investment	-24,232	-	-	24,232
Capital expenditure charged against the General Fund	-597	-	-	597
<b>Adjustments involving the Capital Grants and Contributions Unapplied Account:</b>				
Application of grants to capital financing transferred to the Capital Adjustment Account	-10,121	-	1,048	9,073
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-5,350	5,350	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-5,350	-	5,350
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-56	-	-	56
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see <a href="#">note 22</a> )	51,087	-	-	-51,087
Employer's pensions contributions and direct payments to pensioners payable in the year	-29,839	-	-	29,839
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	-2,166	-	-	2,166
<b>Adjustment involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-411	-	-	411
<b>Total Adjustments</b>	<b>11,489</b>	<b>-</b>	<b>1,048</b>	<b>-12,537</b>

Movements in balances in 2013-14:

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14	Restated			<sup>1</sup> Unusable Reserves £000
	Usable Reserves			
	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	33,517	-	-	-33,517
Revaluation gains reversing previous revaluation losses on Property Plant and Equipment	-9,020	-	-	9,020
Revenue expenditure funded from capital under statute	15,055	-	-	-15,055
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	119,998	-	-	-119,998
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	-21,292	-	-	21,292
<b>Adjustments involving the Capital Grants and Contributions Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	10,883	-	-10,883	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-56,667	-	-	56,667
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-6,085	6,085	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	5	-6,092	-	6,087
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-62	-	-	62
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see <a href="#">note 22</a> )	49,165	-	-	-49,165
Employer's pensions contributions and direct payments to pensioners payable in the year	-29,806	-	-	29,806
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	2,403	-	-	-2,403
<b>Adjustment involving the Accumulated Absences Account</b>				

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14	Restated Usable Reserves			<sup>1</sup> Unusable Reserves
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-1,738	-	-	1,738
<b>Total Adjustments</b>	<b>106,356</b>	<b>-7</b>	<b>-10,883</b>	<b>-95,466</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment as detailed in note 42.

## 8. 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-13 £000	Transfers Out 2013-14 £000	Transfers In 2013-14 £000	Balance at 31-Mar-14 £000	Transfers Out 2014-15 £000	Transfers In 2014-15 £000	Balance at 31-Mar-15 £000
Carry forward – Schools	22,628	-22,629	22,459	22,458	-23,476	22,910	21,892
Carry forward – Other	8,946	-6,623	9,708	12,031	-19,285	13,948	6,694
Insurance Reserve	5,085	-13,088	12,109	4,106	-5,449	3,882	2,539
Invest To Transform Reserve	858	-858	-	-	-	-	-
Other Earmarked Reserves	22,701	-22,260	15,017	15,458	-13,171	21,236	23,523
<b>Total</b>	<b>60,218</b>	<b>-65,458</b>	<b>59,293</b>	<b>54,053</b>	<b>-61,381</b>	<b>61,976</b>	<b>54,648</b>

## 9. OTHER OPERATING EXPENDITURE

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

2013-14 £000		2014-15 £000
113,919	Losses on the disposal of non-current assets	15,935
373	Levies	373
<b>114,292</b>	<b>Total</b>	<b>16,308</b>

\*Restated due to the accounting for schools Prior Period Adjustment as detailed in note 42.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2013-14 £000		2014-15 £000
23,989	Interest payable and similar charges	24,737
19,707	Pensions interest cost and expected return on pensions assets	18,762
-641	Interest receivable and similar income	-1,144
376	Trading Accounts	58
<b>43,431</b>	<b>Total</b>	<b>42,413</b>

## 11. TAXATION AND NON-SPECIFIC GRANT INCOMES

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

Restated 2013-14 £000		2014-15 £000
-226,856	Council tax income	-236,229
-54,759	Non-domestic rates	-59,537
-124,651	Non-ringfenced government grants	-86,879
-45,787	Capital grants and contributions	-10,122
<b>-452,053</b>	<b>Total</b>	<b>-392,767</b>

<sup>1</sup>Restated for the reclassification of the Public Health grant from non-ringfenced government grants to Public Health within net cost of services (£21.4m).

## 12. PROPERTY, PLANT AND EQUIPMENT

### Movements in Balances

# NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in balances in 2014-15:

	Other Land and Buildings	Vehicles, Plant, furniture & Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in PPE	
	£000	£000	£000	£000	£000	£000	£000	
Cost or Valuation								
At 1-Apr-14	865,817	13,439	805,742	646	4,787	216,723	1,907,154	85,797
Additions	-	4,401	55,509	-	-	-8,834	51,076	16,726
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	148,330	-	-	40	95	-	148,465	-
Revaluation increases/ decreases (-) recognised in the surplus/ deficit on the Provision of services	35,536	-	-	-	-350	-	35,186	-
Derecognition and Disposals	-18,206	-	-4,662	-	-1	-	-22,869	-
Assets reclassified to (-)/ from Held for Sale	-3,411	-	-	-	1,090	-	-2,321	-
Other movements in Cost or Valuation	-19	-	-	-	-	-	-19	-
Transfers	18,757	-	-	-	-	-18,757	-	-
At 31-Mar-15	1,046,804	17,840	856,589	686	5,621	189,132	2,116,672	102,523
Accumulated Depreciation and Impairment								
At 1-Apr-14	-48,621	-11,555	-140,313	-	-119	-	-200,608	-37,139
Depreciation charge	-15,109	-2,405	-21,358	-	-113	-	-38,985	-4,692
Depreciation written out to the Revaluation Reserve	19,043	-	-	-	181	-	19,224	-
Depreciation written out to the surplus/ deficit on the provision of services	-881	-	-	-	85	-	-796	-
Impairment losses/ reversals (-) recognised in the Revaluation Reserve	81	-	-	-	-	-	81	-
Impairment losses/ reversals (-) recognised in the surplus/ deficit on the provision of services	-73	-	-	-	-	-	-73	-
Derecognition and Disposals	962	-	2,875	-	-8	-	3,829	-
Other movements in Depreciation and Impairment	329	-	-	-	-329	-	-	-
At 31-Mar-15	-44,269	-13,960	-158,796	-	-303	-	-217,328	-41,831
Net Book Value								
At 31-Mar-15	1,002,535	3,880	697,793	686	5,318	189,132	1,899,344	60,692
At 31-Mar-14	817,196	1,884	665,429	646	4,668	216,723	1,706,546	48,658

# NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in balances in 2013-14:

Restated	Other Land and Buildings	Vehicles, Plant, furniture & Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in PPE	
	£000	£000	£000	£000	£000	£000	£000	
Cost or Valuation								
At 1-Apr-13	869,165	13,439	757,525	646	8,580	251,176	1,900,531	73,783
Prior Period Adjustment	-5,435						-5,435	
*At 1-Apr-13 (Restated)	863,730	13,439	757,525	646	8,580	251,176	1,895,096	73,783
Additions	-	-	51,236	-	-	30,042	81,278	12,014
Donations	508	-	-	-	-	-	508	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	10,976	-	-	-	-1,400	-	9,576	-
Revaluation increases/ decreases (-) recognised in the surplus/ deficit on the Provision of services	45,549	-	-	-	-10	-	45,539	-
Derecognition and Disposals	-115,877	-	-3,019	-	-4,948	-	-123,844	-
Assets reclassified to (-)/ from Held for Sale	-1,191	-	-	-	214	-	-977	-
Other movements in Cost or Valuation	-22	-	-	-	-	-	-22	-
Transfers	62,144	-	-	-	2,351	-64,495	-	-
At 31-Mar-14	865,817	13,439	805,742	646	4,787	216,723	1,907,154	85,797
Accumulated Depreciation and Impairment								
At 1-Apr-13	-10,345	-9,503	-122,148	-	-1,260	-	-143,256	-34,838
Prior Period Adjustment	-227						-227	
*At 1-Apr-13 (Restated)	-10,572	-9,503	-122,148	-	-1,260	-	-143,483	-34,838
Depreciation charge	-12,708	-2,052	-19,917	-	-59	-	-34,736	-2,301
Depreciation written out to the Revaluation Reserve	32,552	-	-	-	214	-	32,766	-
Depreciation written out to the surplus/ deficit on the provision of services	-60,825	-	-	-	-327	-	-61,152	-
Impairment losses/ reversals (-) recognised in the Revaluation Reserve	-653	-	-	-	1,201	-	548	-
Impairment losses/ reversals (-) recognised in the surplus/ deficit on the provision of services	1,389	-	-	-	90	-	1,479	-
Derecognition and Disposals	2,188	-	1,752	-	30	-	3,970	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
At 31-Mar-14	-48,621	-11,555	-140,313	-	-119	-	-200,608	-37,139
Net Book Value								
At 31-Mar-14	817,196	1,884	665,429	646	4,668	216,723	1,706,546	48,658
At 31-Mar-13	853,158	3,936	635,377	646	7,320	251,176	1,751,613	38,945

\*Restated due to the accounting for schools Prior Period Adjustment as detailed in note 42.



# NOTES TO THE CORE FINANCIAL STATEMENTS

## Capital commitments

At 31 March 2015, the Council has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2014-15 and future years, budgeted to cost £106m. Similar commitments at 31 March 2014 were £130m. The major commitments are:

<b>Expenditure approved and contracted</b>	<b>31-Mar-15 £000</b>
Cambridge City - 4 form entry additional secondary capacity	20,000
North Cambridgeshire Secondary Provision - 4 form entry school	20,000
Housing provision (primarily for rent) on CCC portfolio	17,500
King's Dyke Crossing	13,500
Renewable Energy – Soham	10,245
Soham Station	6,200
Super Connected Cities	5,200
Ely College - expansion of 1 form of entry	2,750
Community Hubs - East Barnwell	2,350
Optimising the benefits of IT for Smarter Business Working	2,100
Pothole Funding	1,948
Microsoft Enterprise Agreement	1,500
Universal Infant Free School Meals	1,289
Community Hubs - Sawston	1,250
<b>Total</b>	<b>105,832</b>

## Effects of changes in estimates

In 2014-15, the Council made one change to its accounting estimates for Property, Plant and Equipment. During the revaluation of the Council's Land and Buildings, Community Assets and Surplus Assets, remaining useful lives were reviewed critically for all properties being revalued by the Council as part of the process of componentisation. As a result, the depreciation charge in 2014-15 for the revalued properties (which are not additions, have not been disposed, subsequently revalued in 2014-15, or have a zero NBV as at 31 March 2015) of £3.9 million was £0.4 million lower than it would have been if the useful lives assessed in 2013-14 had been used for the calculations. The impact of this change will carry forward into 2015-16 and future years, however the Council's asset portfolio is now fully componentised with updated useful lives and as such there is not expected to be a similar effect on depreciation next year.

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In order to ensure that carrying values are kept in line with fair values in the interim, the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. The

## NOTES TO THE CORE FINANCIAL STATEMENTS

majority of valuations were carried out internally by RICS registered valuers, however 31% of valuations were undertaken by external RICS registered valuations consultants NPS Property Consultants Limited. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors Valuation. The effective date of revaluation is the 1 April 2014.

The significant assumptions applied in estimating the fair values are:

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

### Valuation of long-term assets

	Carried at historical cost: £000	Valued at fair value as at:					Total £000
		2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000	
Land and Buildings		92,748	178,520	249,077	99,948	426,511	1,046,804
Vehicles, Plant, Furniture and Equipment		-	-	13,439	-	4,401	17,840
Infrastructure Assets	856,589						856,589
Community Assets	686						686
Surplus Assets		111	1,579	112	3,078	741	5,621
Assets Under Construction	189,132						189,132
	<b>1,046,407</b>	<b>92,859</b>	<b>180,099</b>	<b>262,628</b>	<b>103,026</b>	<b>431,653</b>	<b>2,116,672</b>
Assets Held for Sale		-	-	-	-	1,098	1,098
<b>Total</b>	<b>1,046,407</b>	<b>92,859</b>	<b>180,099</b>	<b>262,628</b>	<b>103,026</b>	<b>432,751</b>	<b>2,117,770</b>

### 13. HERITAGE ASSETS

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

	Archives and Museum Collections £000	Art Collection £000	Total Assets £000
Valuation or cost			
1 April 2013	20,565	150	20,715
<b>31 March 2014</b>	<b>20,565</b>	<b>150</b>	<b>20,715</b>
1 April 2014	20,565	150	20,715
Additions during 2014-15	1	-	1
<b>31 March 2015</b>	<b>20,566</b>	<b>150</b>	<b>20,716</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Valuation

The Council's collection of archives, art works and other museum pieces are valued in the Balance Sheet at insurance valuation. The most recent valuations of archives and museum pieces was carried out by Bonhams in 2008, these valuations are repeated periodically. The Council has considered the collections during 2014-15 for possible impairments and does not believe it is economic to conduct revaluations on a more frequent basis.

The Council also holds a significant collection of archaeological artefacts and ecofacts. The collection receives the finds from all excavations within the county. This arrangement has existed since 1992, and the Council also holds some materials from before that date.

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection due to the diverse nature of the assets held and lack of comparable market values. The Council does not trade assets on the antiquities market, and holds these assets for their research and outreach values. Consequently, the Council does not recognise these assets on the Balance Sheet.

There are a small number of civic regalia items, principally the chains of office of the Chairman of the Council, his deputy and their consorts. The financial value of these items is considered to be immaterial and prohibitively costly to obtain and as a result, the Council does not recognise these assets on the Balance Sheet.

### Reclassification and zero values

The Council has reviewed its surplus and community assets to ascertain whether any assets require reclassification as heritage assets.

There are some monuments and listed buildings contained within the Council's farms estate, or associated with infrastructure and operational assets. Where assets are in use primarily for any purpose other than the preservation and promotion of knowledge or culture, or cannot be reasonably detached from such assets, the Council deems that the heritage asset designation is not appropriate.

All of these types of assets are longstanding holdings of the Council, which have a historic cost valuation much lower than their estimated market value. In most cases the carrying amount is zero, and depreciation and impairment do not need to be recognised.

### Additions of Heritage Assets

The Council has received, either gifted or purchased, 47 items into the Cromwell Museum since the last insurance valuation in 2008, with 3 new additions during 2014-15. The total insurance valuation or cost of the additions since 2008 is £12k (nil during 2014-15), with the most valuable item being Thomas Cromwell's funeral escutcheon, which is valued at £5,000.

The total storage area of the archives has increased by 7% since 2008. There is likely to have been an increase in the value of the archive collections associated with this, although no accurate estimate of an increase in value can be achieved economically. The only individual acquisition since 2008 which is known to have exceeded a value of £10,000 is:

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Sandys' Fen papers 1619-1717, purchased at auction in 2009: £44,000.

In addition, some records acquired since 2008 are of known historical importance and can be presumed to have significant financial value, although the value is currently unknown:

- Bond of Oliver Cromwell 1627, bearing his signature, deposited 2011; and
- Records of the Middle Level Commissioners, 17th-20th centuries, deposited 2010.

The Council has continued to receive the archives resulting from excavations in the county and deposited with the Council. A financial value for these items is not recognised in the accounts.

There have been no disposals of Heritage Assets since 1 April 2010.

### 14. LONG-TERM RECEIVABLES

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

31-Mar-14 £000		31-Mar-15 £000
2,704	Bodies external to general government (i.e. all other bodies)	2,513
835	Central government bodies	626
30	Other local authorities	-
<b>3,569</b>	<b>Total</b>	<b>3,139</b>

### 15. FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	Long-term		Current	
	31-Mar-15 £000	31-Mar-14 £000	31-Mar-15 £000	31-Mar-14 £000
<b>Investments:</b>				
Available-for-sale financial assets	-	-	50	-
<b>Total investments</b>	-	-	50	-
<b>Cash and cash equivalents:</b>				
Cash and cash equivalents	-	-	37,462	42,249
<b>Total cash and cash equivalents</b>	-	-	37,462	42,249
<b>Receivables:</b>				
Receivables (excluding prepayments)	3,139	3,569	57,118	63,569
<b>Total receivables</b>	3,139	3,569	57,118	63,569
<b>Borrowings:</b>				

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Long-term		Current	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	£000	£000	£000	£000
Financial liabilities at amortised cost	-356,190	-379,125	-26,557	-3,514
<b>Total borrowings</b>	<b>-356,190</b>	<b>-379,125</b>	<b>-26,557</b>	<b>-3,514</b>
<b>Other liabilities:</b>				
PFI and finance lease liabilities	-110,770	-101,156	-2,712	-2,646
<b>Total other liabilities</b>	<b>-110,770</b>	<b>-101,156</b>	<b>-2,712</b>	<b>-2,646</b>
<b>Payables:</b>				
Payables	-	-	-99,484	-117,247
<b>Total payables</b>	<b>-</b>	<b>-</b>	<b>-99,484</b>	<b>-117,247</b>

Included within the Available for Sale category is an investment of £50k share capital in the Municipal Bonds Agency that will issue bonds on behalf of local authorities. The Council has committed to invest £400k in total and the balance will be drawn down during 2015-16.

### Income, Expense, Gains and Losses

	2014-15			2013-14		
	Financial Liabilities at amortised cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities at amortised cost	Financial Assets: Receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	24,737	-	24,737	23,989	-	23,989
<b>Total expense in the Deficit on the Provision of Services</b>	<b>24,737</b>	<b>-</b>	<b>24,737</b>	<b>23,989</b>	<b>-</b>	<b>23,989</b>
Interest income	-	-1,144	-1,144	-	-641	-641
<b>Total income in the Deficit on the Provision of Services</b>	<b>-</b>	<b>-1,144</b>	<b>-1,144</b>	<b>-</b>	<b>-641</b>	<b>-641</b>
<b>Net gain (-) / loss for the year</b>	<b>24,737</b>	<b>-1,144</b>	<b>23,593</b>	<b>23,989</b>	<b>-641</b>	<b>23,348</b>

### Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term receivables and payables are carried in the Balance Sheet at amortised cost (i.e. the amount at which the asset or liability is measured at initial recognition, minus any repayments of principal, impairments and the cumulative amortisation of the difference between the initial amount and the maturity amount of the instrument). Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Estimated ranges of interest rates at 31 March 2015 of 0.19% to 2.18% for both loans from the Public Works Loan Board (PWLB), and other loans receivable and payable, based on repayment rates for equivalent loans at that date;
- No early repayment or impairment is recognised where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	Carrying amount 31-Mar-15 £000	Fair value 31-Mar-15 £000	Carrying amount 31-Mar-14 £000	Fair value 31-Mar-14 £000
Public Works Loan Board	-302,507	-401,217	-302,398	-348,908
Other long-term loans	-80,240	-117,047	-80,240	-87,853
Finance lease liabilities	-113,482	-113,482	-103,802	-103,802
Payables	-99,484	-99,484	-117,247	-117,247
<b>Total financial liabilities</b>	<b>-595,713</b>	<b>-731,230</b>	<b>-603,687</b>	<b>-657,810</b>
Cash and cash equivalents	37,462	37,462	42,249	42,249
Receivables (excluding prepayments)	57,118	57,118	63,569	63,569
Long-term receivables	3,139	3,139	3,569	3,569
<b>Total financial assets</b>	<b>97,719</b>	<b>97,719</b>	<b>109,387</b>	<b>109,387</b>

### 16. ASSETS HELD FOR SALE

2013-14 £000		2014-15 £000
422	<b>Balance outstanding at start of year</b>	<b>1,100</b>
	<b>Assets newly classified as held for sale:</b>	
977	Property, Plant and Equipment	2,321
-105	Revaluation losses	-94
-71	Revaluation gains	14
	<b>Assets declassified as held for sale:</b>	
-123	Assets sold	-2,245
-	<b>Other movements</b>	<b>2</b>
<b>1,100</b>	<b>Balance outstanding at year-end</b>	<b>1,098</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 17. SHORT TERM RECEIVABLES

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

31-Mar-14 £000		31-Mar-15 £000
14,937	Central government bodies	23,202
1,042	NHS bodies	1,485
1,207	Public corporations and trading funds	751
52,968	Other local authorities, entities and individuals	40,070
<b>70,154</b>	<b>Total Short Term Receivables</b>	<b>65,508</b>

## 18. CASH AND CASH EQUIVALENTS

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

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-14 £000		31-Mar-15 £000
29,894	Cash held by the Council	21,896
13,556	Cash equivalents	15,552
480	School bank accounts	276
-1,681	Overdraft	-262
<b>42,249</b>	<b>Total Cash and Cash Equivalents</b>	<b>37,462</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment as detailed in note 42.



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 19. SHORT TERM PAYABLES

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

31-Mar-14 £000		31-Mar-15 £000
-7,410	Central government bodies	-7,296
-2,392	NHS bodies	-2,614
-45	Public corporations and trading funds	-34
-110,046	Other local authorities, entities and individuals	-92,252
<b>-119,893</b>	<b>Total Short Term Payables</b>	<b>-102,196</b>

## 20. PROVISIONS

The Council has made specific provisions to set aside sums to meet both current and long term liabilities that are likely or certain to be incurred but where the amount or timing of the payments are not known. These are as follows:

	Balance at 1-Apr-14 £000	Provisions arising or adjusted £000	Provisions utilised £000	Provisions reversed £000	Balance at 31-Mar-15 £000
<b>Current:</b>					
Insurance	1,580	1,899	-1,053	-70	2,356
Redundancy	827	-	-827	-	-
Transforming Cambridgeshire	1,000	-	-	-	1,000
Carbon Reduction	459	-	-	-459	-
Operating Model	-	1,000	-	-	1,000
Other Corporate Provisions (<£1m)	669	1,146	-	-	1,815
<b>Long-term:</b>					
Insurance	4,718	1,382	-2,209	-278	3,613
<b>Total</b>	<b>9,253</b>	<b>5,427</b>	<b>-4,089</b>	<b>-807</b>	<b>9,784</b>

### Insurance

This provision is used to meet insurance claims funded by the Council. It is related to claims that are more likely than not to be payable. Included within this balance is an amount to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement has now been triggered.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

The amount paid to the Council plus the amount outstanding under this arrangement is £14.4m. As a result of the imposition of the levy, the Council has made a levy payment of £2.1m and is also liable to contribute to each and every subsequent claim payment made by MMI on the Council's behalf, thereby creating an on-going financial obligation.

There is a possibility that the ultimate levy rate could eventually be higher than this and as such a contingent liability has also been disclosed (see [note 38](#))

### Carbon Reduction Commitment

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme commenced in April 2010, and 2013-14 was the final year of Phase 1 for which there is an obligation to purchase and surrender Carbon Reduction Allowances in relation to carbon dioxide emissions.

From 2014-15 onwards, the Council no longer meets the electricity usage qualification criterion of consuming in excess of 6,000 megawatt-hours (MWh) through settled half-hourly meters. This is because Phase 2 of the scheme excludes schools and also the passive, unmetered street lighting stock which the Council operates. Therefore no further provision is needed to be made in 2014-15 or future years.

### Transforming Cambridgeshire

Cambridgeshire Public Services Board has commissioned a cross-sector review of how public services can work more effectively across the whole public sector landscape within Cambridgeshire. This transformation programme will enable all public sector bodies to address the financial challenges of the on-going austerity measures more effectively, by delivering significant efficiencies and improving end-to-end support and joint working. The programme will require some up-front funding, and although the exact nature and timing of this funding is not yet known, it is considered appropriate to make a provision for this at this point.

### Mobilising Local Energy Investment

The Mobilising Local Energy Investment (MLEI) project commenced in April 2013 with the aim of attracting more energy investment and infrastructure delivery into Cambridgeshire and Peterborough. The focus is on low carbon energy generation and energy efficiency infrastructure, initially from the public sector and community projects, while remaining open to commercial projects. The Council has determined that a provision of £669k is sufficient to cover its potential liability in relation to the repayment of grant funding to the EU, should it be unable to secure £15m of additional funding towards energy schemes.

### Operating Model

As part of its Business Planning process, the Council is considering what it needs to look like in 2020-21 in order to deliver its outcomes in the context of a significant reduction in available

## NOTES TO THE CORE FINANCIAL STATEMENTS

resource. An 'Operating Model' has been created that sets out what this future will look like and how it will get there. Members and Officers are working together across all Council services to design an organisation that focuses on outcomes for communities and how to achieve these. This longer term approach to transformation will allow the Council to redesign services more effectively and intelligently, aligning enabling activities, alongside partner organisations, to achieve our outcomes. Transformation of the Council's services in line with the Operating Model will be phased over the next five years and will reflect available revenue and capital resources.

As part of this process, a provision of £1m has been created to assist the implementation of this new approach.

### 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. The Council's usable reserves are as follows:

- **General Fund** – the main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met. The General Fund cushions the impact of uneven cash flows and also acts as a contingency that can be used in year in the event of unexpected emergencies or unforeseen spending;
- **Earmarked Reserves** – these are resources set-aside for a specific purpose. The Council's earmarked reserves include balances to cover future pressures, insurance claims and general contingencies held by schools within advisory limits. Further analysis of earmarked reserves is shown within [note 8](#) (page 57);
- **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 the Capital Grants and Contributions Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (page 28).

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 22. UNUSABLE RESERVES

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

<sup>1</sup> 31-Mar-14 £000		31-Mar-15 £000
355,390	Revaluation Reserve	466,091
771,286	Capital Adjustment Account	834,419
-1,387	Financial Instruments Adjustment Account	-1,331
-437,786	Pensions Reserve	-559,255
-2,226	Collection Fund Adjustment Account	-60
-8,442	Accumulated Absences Account	-8,031
<b>676,835</b>	<b>Total Unusable Reserves</b>	<b>731,833</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment as detailed in note 42.

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<sup>1</sup> 2013-14 £000		2014-15 £000
<b>367,983</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>355,390</b>
25,741	Upward revaluation of assets	170,107
-7,401	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-2,352
<b>386,323</b>	<b>Surplus or deficit on revaluation of long-term assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>523,145</b>
-2,133	Difference between fair value depreciation and historical cost depreciation	-5,171
-28,800	Accumulated gains on assets sold or scrapped	-51,883
<b>-30,933</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>-57,054</b>
<b>355,390</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>466,091</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Account also contains revaluation gains and losses accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. [Note 7](#) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<sup>1</sup> 2013-14 £000		2014-15 £000
<b>815,855</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>771,286</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
-33,517	Charges for depreciation and impairment of long-term assets	-38,985
9,020	Revaluation gains reversing previous losses on Property, Plant and Equipment	34,252
-15,055	Revenue expenditure funded from capital under statute	-7,157
-119,998	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	-21,284
30,933	Adjusting amounts written out of the Revaluation Reserve	57,054
<b>687,238</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>795,166</b>
	<b>Capital financing applied in the year:</b>	
6,087	Use of the Capital Receipts Reserve to finance new capital expenditure	5,350
56,669	Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account	9,073
21,292	Statutory provision for the financing of capital investment charged against the General Fund	24,232
-	Capital expenditure charged against the General Fund	598
<b>771,286</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>834,419</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2013-14 £000		2014-15 £000
<b>-1,449</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>-1,387</b>
62	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	56
62	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	56
<b>-1,387</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>-1,331</b>

## 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.

2013-14 £000		2014-15 £000
<b>-439,835</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>-437,786</b>
21,408	Remeasurement of net defined liability	-100,221
-49,165	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-51,087
29,806	Employer's pensions contributions and direct payments to pensioners payable in the year	29,839
<b>-437,786</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>-559,255</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rate income in the Comprehensive Income and Expenditure



## NOTES TO THE CORE FINANCIAL STATEMENTS

Statement as they fall due from council tax and business rate payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013-14 £000		2014-15 £000
176	<b>Balance at 1<sup>st</sup> April</b>	-2,226
-2,402	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	2,166
-2,226	<b>Balance at 31<sup>st</sup> March</b>	-60

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013-14 £000		2014-15 £000
-10,179	<b>Balance at 1<sup>st</sup> April</b>	-8,442
10,179	Settlement/cancellation of accrual made at the end of the preceding year	-8,442
-8,442	Amounts accrued at the end of the current year	-8,031
1,737	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	411
-8,442	<b>Balance at 31<sup>st</sup> March</b>	-8,031

## 23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the '*SeRCOP*'. However, decisions about resource allocation were taken by the Council's General Purposes Committee on the basis of budget reports analysed across Services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;



# NOTES TO THE CORE FINANCIAL STATEMENTS

- expenditure on some support services is budgeted for centrally and not charged to Services.

The income and expenditure of the Council's principal services recorded in the budget reports for the 2014-15 and 2013-14 financial years are as follows:

2014-15	Children, Families and Adults £000	Economy, Transport and Environment £000	Corporate Directorates and LGSS £000	<sup>1</sup> Public Health £000	<sup>1</sup> Total £000
Fees, charges and other service income	-93,763	-16,529	-20,492	-	-130,784
Government grants	-271,441	-12,632	-742	-20,453	-305,268
<b>Total Income</b>	<b>-365,204</b>	<b>-29,161</b>	<b>-21,234</b>	<b>-20,453</b>	<b>-436,052</b>
Employee expenses	251,242	20,119	23,326	2,155	296,842
Other service expenses	385,262	79,930	33,116	18,298	516,606
<b>Total Expenditure</b>	<b>636,504</b>	<b>100,049</b>	<b>56,442</b>	<b>20,453</b>	<b>813,448</b>
<b>Net Expenditure</b>	<b>271,300</b>	<b>70,888</b>	<b>35,208</b>	<b>-</b>	<b>377,396</b>

2013-14	Children, Families and Adults £000	Economy, Transport and Environment £000	Corporate Directorates and LGSS £000	Public Health £000	Total £000
Fees, charges and other service income	-84,250	-16,368	-18,738	-140	-119,496
Government grants	-257,536	-3,610	-	-21,230	-282,376
<b><sup>1</sup>Total Income</b>	<b>-341,786</b>	<b>-19,978</b>	<b>-18,738</b>	<b>-21,370</b>	<b>-401,872</b>
Employee expenses	250,418	20,296	24,334	1,944	296,992
Other service expenses	383,951	75,719	32,045	18,706	510,421
<b><sup>1</sup>Total Expenditure</b>	<b>634,369</b>	<b>96,015</b>	<b>56,379</b>	<b>20,650</b>	<b>807,413</b>
<b>Net Expenditure</b>	<b>292,583</b>	<b>76,037</b>	<b>37,641</b>	<b>-720</b>	<b>405,541</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment as detailed in note 42 and the reclassification of the Public Health grant.

## Reconciliation of service income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

# NOTES TO THE CORE FINANCIAL STATEMENTS

<sup>1</sup> 2013-14		2014-15
£000		£000
<b>405,541</b>	Net expenditure in the Service Analysis	<b>377,396</b>
<b>-5,662</b>	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	<b>-36,121</b>
<b>399,879</b>	<b>Cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>341,275</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment as detailed in note 42 and the reclassification of the Public Health grant.

## Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14	Service Analysis	Amounts not reported to management for decision making	Cost of Services	<sup>1</sup> Corporate Amounts	<sup>1</sup> Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	-119,496	-	-119,496	-	-119,496
Interest and investment income	-	-	-	-641	-641
Income from council tax	-	-	-	-226,856	-226,856
Government grants and contributions	-282,376	-	-282,376	-225,197	-507,573
<b>Total Income</b>	<b>-401,872</b>	<b>-</b>	<b>-401,872</b>	<b>-452,694</b>	<b>-854,566</b>
Employee expenses	296,992	-1,738	295,254	-	295,254
Other service expenses	510,421	-37,441	472,980	20,084	493,064
Depreciation, amortisation and impairment	-	33,517	33,517	-	33,517
Interest payments	-	-	-	23,989	23,989
Precepts and levies	-	-	-	373	373
Gain or loss on disposal of long-term assets	-	-	-	113,918	113,918
<b>Total Expenditure</b>	<b>807,413</b>	<b>-5,662</b>	<b>801,751</b>	<b>158,364</b>	<b>960,115</b>
<b>Surplus(-)/ deficit on the provision of services</b>	<b>405,541</b>	<b>-5,662</b>	<b>399,879</b>	<b>-294,330</b>	<b>105,549</b>

<sup>1</sup>Restated for the accounting for schools prior period adjustment as detailed in note 42 and the reclassification of the Public Health grant.

## 24. TRADING OPERATIONS

The Council has established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or external customers.

Only the net deficit on external trading is shown separately in the Comprehensive Income and Expenditure Statement. Surpluses and deficits on internal trading are included within Net Cost of Services on the SeRCOP line to which they relate. Details of those units with turnover greater than £1m or a deficit greater than £100,000 in 2014-15 are as follows:

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14 £000		2014-15 £000
<b>Catering, Cleaning, Groomfields &amp; Grounds Management</b>		
-15,926	Turnover	-18,443
16,267	Expenditure	18,501
<b>341</b>	<b>Surplus (-) / Deficit</b>	<b>58</b>
<b>Education Information and Communication Technology (ICT)</b>		
-5,017	Turnover	-4,514
5,013	Expenditure	4,520
<b>-4</b>	<b>Surplus (-) / Deficit</b>	<b>6</b>
<b>Cambridgeshire Music</b>		
-1,370	Turnover	-1,463
1,523	Expenditure	1,435
<b>153</b>	<b>Surplus (-) / Deficit</b>	<b>-28</b>
<b>Grafham Water Centre</b>		
-1,429	Turnover	-1,386
1,446	Expenditure	1,419
<b>17</b>	<b>Surplus (-) / Deficit</b>	<b>33</b>
<b>507</b>	<b>Total Surplus (-) / Deficit</b>	<b>69</b>
<b>74</b>	<b>Adjustment of Surplus (-) / Deficit for other non-material external trading</b>	<b>21</b>
<b>-205</b>	<b>Adjustment to exclude Surplus (-) / Deficit on internal trading</b>	<b>-32</b>
<b>376</b>	<b>Net Surplus (-) / Deficit on trading operations</b>	<b>58</b>

## Catering, Cleaning, Groomfields and Grounds Management

The service provides catering, cleaning and caretaker services, and all elements of grounds maintenance to school sites and where appropriate develop them in accordance with the National Curriculum and standards. There were three main reasons for the £58k deficit: the local government pay award was higher than expected; the Universal Infant Free School Meals (UIFSM) policy enacted in 2014-15 required additional advice and support to schools and staff to upgrade kitchens and manage greatly increased demand for school meals; and the UIFSM policy led to a significant increase in required agency staff to cover a large number of vacancies and increased workload volumes.

## Education Information and Communication Technology (ICT)

Education ICT is the principal agency for delivering Cambridgeshire's ICT Strategy for schools and their communities.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Cambridgeshire Music

Cambridgeshire Music provides music services and tuition internally to schools, and externally to parents, ensembles and the wider community.

## Grafham Water Centre

Grafham Water Centre offers young people activities of adventurous and environmental nature during which there is significant learning to complement programmes delivered in schools. The facility supports the learning outside the classroom agenda as developed by the DfE and recognised by Ofsted as valuable to promote the learning of young people. The £33k deficit arose due to the higher-than-expected local government pay settlement having a disproportionately high impact on the centre due to the staffing structure.

## 25. POOLED BUDGETS

The Council has pooled budget agreements with the following bodies:

- NHS Cambridgeshire, for the provision of an Integrated Community Equipment Service (ICES) in Cambridgeshire, with the partner organisation contributing 48% of the budget;
- NHS Cambridgeshire, for the provision of integrated health and social services for Learning Disability Partnership (LDP) clients in Cambridgeshire, with the partner organisation contributing 20% of the budget.

For both the ICES and LDP pools, the same proportions as those for budget contributions are used to meet any deficit or share any surplus arising at the end of each financial year.

2014-15	Pooled Budget	
	Integrated Community Equipment Service £000	Learning Disability Partnership £000
Funding provided to the pooled budget:		
- the Council	2,252	57,836
- NHS Cambridgeshire	2,112	14,675
Expenditure met from the pooled budget:		
- the Council	2,016	58,945
- NHS Cambridgeshire	1,891	14,957
<b>Net surplus (-)/ deficit on the pooled budget during the year</b>	<b>-457</b>	<b>1,391</b>
<b>Council share of the net surplus (-)/ deficit on the pooled budget</b>	<b>-236</b>	<b>1,110</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14	Pooled Budget	
	Integrated Community Equipment Service £000	Learning Disability Partnership £000
Funding provided to the pooled budget:		
- the Council	2,290	58,797
- NHS Cambridgeshire	2,147	14,379
Expenditure met from the pooled budget:		
- the Council	2,247	57,305
- NHS Cambridgeshire	2,107	14,014
<b>Net surplus (-) on the pooled budget during the year</b>	<b>-83</b>	<b>-1,857</b>
<b>Council share of the net surplus (-) on the pooled budget</b>	<b>-43</b>	<b>-1,492</b>

## 26. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2014-15 were £810,577 (£761,944 in 2013-14) and expenses totalled £47,249 (£54,791 in 2013-14).

## 27. OFFICERS' REMUNERATION

### Senior Employees

Regulation 4 of the Accounts and Audit (Amendment number 2) (England) Regulations 2009 [SI 2009 number 3322] involves a legal requirement to increase transparency and accountability in Local Government for reporting the remuneration of senior employees. These regulations came into force on 31 March 2010 and require authorities to publish detailed senior employee pay information covering, salary, bonuses, expenses allowances, compensation payments, pensions and any other benefits.

Senior employees whose salary is £50,000 or more, but less than £150,000, are required to be listed individually by way of job title. Employees whose salary is £150,000 or more must also be identified by name. In this context, a senior employee is identified as follows:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with others.

The Council's senior employee remuneration for 2014-15 (and 2013-14) is as follows:

# NOTES TO THE CORE FINANCIAL STATEMENTS

		Salary, Fees and Allowances	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
		£	£	£
<b>Chief Executive (Mark Lloyd)</b>	<b>2014-15</b>	190,383	37,794	<b>228,177</b>
	<b>2013-14</b>	188,029	35,549	<b>223,578</b>
<b>Executive Director: Children, Families and Adults</b>	<b>2014-15</b>	131,100	26,056	<b>157,156</b>
	<b>2013-14</b>	129,661	24,508	<b>154,169</b>
<b>Executive Director: Economy, Transport and Environment Services<sup>1</sup></b>	<b>2014-15</b>	-	-	<b>-</b>
	<b>2013-14</b>	86,205	16,375	<b>102,580</b>
<b>Executive Director: Economy, Transport and Environment Services<sup>2</sup></b>	<b>2014-15</b>	122,050	24,410	<b>146,460</b>
	<b>2013-14</b>	39,955	8,097	<b>48,052</b>
<b>Corporate Director: Customer Service and Transformation<sup>3</sup></b>	<b>2014-15</b>	33	-	<b>33</b>
	<b>2013-14</b>	107,711	20,370	<b>128,081</b>
<b>Corporate Director: Customer Service and Transformation<sup>4</sup></b>	<b>2014-15</b>	84,183	17,027	<b>101,210</b>
	<b>2013-14</b>	-	-	<b>-</b>
<b>LGSS Director of IT Services<sup>5,6</sup></b>	<b>2014-15</b>	113,049	22,323	<b>135,372</b>
	<b>2013-14</b>	90,739	16,888	<b>107,627</b>
<b>LGSS Director of Law and Governance<sup>6</sup></b>	<b>2014-15</b>	98,434	19,201	<b>117,635</b>
	<b>2013-14</b>	100,206	18,390	<b>118,596</b>
<b>LGSS Chief Finance Officer (Section 151 Officer for Cambridgeshire County Council)</b>	<b>2014-15</b>	98,292	19,356	<b>117,648</b>
	<b>2013-14</b>	93,663	17,642	<b>111,305</b>
<b>Director of Public Health</b>	<b>2014-15</b>	105,136	13,455	<b>118,591</b>
	<b>2013-14</b>	105,148	13,457	<b>118,605</b>

<sup>1</sup> The Executive Director Economy, Transport and Environment Services left the organisation in December 2013.

<sup>2</sup> The Executive Director Economy, Transport and Environment Services began in post in January 2014.

<sup>3</sup> The Corporate Director: Customer Service and Transformation left the organisation in March 2014.

<sup>4</sup> The Corporate Director: Customer Service and Transformation began in post on the 1 May 2014.

<sup>5</sup> The LGSS Director of IT Services joined the organisation on the 10 June 2013.

<sup>6</sup> The LGSS Directors work across Cambridgeshire and Northamptonshire County Councils and with other LGSS customers as required. The LGSS Directors are members of the Council's SMT, although only the Director of Law and Governance and Director of IT Services are on Cambridgeshire County Council's payroll.

Some LGSS Senior Employees that are part of the overall LGSS management team for both Cambridgeshire and Northamptonshire County Councils are employed by, and included on, Northamptonshire County Council's payroll. For completeness, these are shown in the table below:



## NOTES TO THE CORE FINANCIAL STATEMENTS

		Salary, Fees and Allowances £	Employer Pension Contribution £	Total Remuneration Including Employer Pension Contributions £
<b>LGSS Managing Director<sup>6</sup></b>	<b>2014-15</b>	135,026	15,627	<b>150,653</b>
	<b>2013-14</b>	132,816	16,451	<b>149,266</b>
<b>LGSS Director of People, Transformation and Transactions<sup>6</sup></b>	<b>2014-15</b>	123,135	15,611	<b>138,746</b>
	<b>2013-14</b>	128,726	16,234	<b>144,960</b>
<b>LGSS Director Finance (Section 151 Officer for Northamptonshire County Council)<sup>6</sup></b>	<b>2014-15</b>	119,019	15,071	<b>134,090</b>
	<b>2013-14</b>	114,047	14,415	<b>128,462</b>

### Employee remuneration above £50,000

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

Remuneration Banding	2014-15	2013-14	Revised 2013-14 (to exclude staff in schools converting to Academy/ Foundation status during 2014-15)
£50,000 - £54,999	75	93	90
£55,000 - £59,999	66	57	57
£60,000 - £64,999	37	53	52
£65,000 - £69,999	24	19	19
£70,000 - £74,999	11	8	7
£75,000 - £79,999	3	4	4
£80,000 - £84,999	2	5	5
£85,000 - £89,999	4	3	3
£90,000 - £94,999	5	4	4
£95,000 - £99,999	3	2	2
<b>Total</b>	<b>230</b>	<b>248</b>	<b>243</b>

Approximately two-thirds of the employees referred to in the above table are employed in Cambridgeshire schools. To ensure the figures are comparable, the 2013-14 figure has also been adjusted for staff employed in schools which had converted to academy or foundation status as at 31 March 2015.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Number of compulsory redundancies		Number of other departures with exit package		Total number of exit packages		Total cost of exit packages £000	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
£0 - £20,000	115	74	89	60	204	134	593	430
£20,001 - £40,000	8	15	-	1	8	16	225	443
£40,001 - £60,000	2	1	-	-	2	1	86	45
£60,001 - £80,000	5	2	-	-	5	2	334	138
£80,001 - £100,000	2	-	-	-	2	-	178	-
£100,001 - £150,000	2	-	-	-	2	-	240	-
<b>Total</b>	<b>134</b>	<b>92</b>	<b>89</b>	<b>61</b>	<b>223</b>	<b>153</b>	<b>1,656</b>	<b>1,056</b>

### 28. EXTERNAL AUDIT COSTS

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

2013-14 £000		2014-15 £000
139	Fees payable with regard to external audit services carried out by the appointed auditor	141
10	Fees payable to appointed auditor for certification of grant claims and returns	10
10	Fees payable in respect of other services provided by the appointed auditor	4
<b>159</b>	<b>Total</b>	<b>155</b>

### 29. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, 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 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014-15 are as follows:

# NOTES TO THE CORE FINANCIAL STATEMENTS

	Central expenditure £000	Individual schools budget (ISB) £000	Total £000
Final DSG for 2014-15 before Academy recoupment			384,666
Academy figure recouped for 2014-15			149,717
Total DSG after Academy recoupment for 2014-15			234,949
Brought forward from 2013-14			4,359
Carry forward to 2015-16 agreed in advance			-
Agreed initial budgeted distribution in 2014-15	53,966	185,342	239,308
In year adjustments	-	176	176
<b>Final budget distribution for 2014-15</b>	<b>53,966</b>	<b>185,518</b>	<b>239,484</b>
Less: Actual central expenditure	49,406		49,406
Less: Actual ISB deployed to schools		185,518	185,518
Plus: Local authority contribution for 2014-15	-	-	-
<b>Carry-forward to 2015-16</b>	<b>4,560</b>	<b>-</b>	<b>4,560</b>

## 30. GRANT INCOME

### Material items of grant income supplied without restrictions

The following is a list of all unrestricted revenue grants received during 2014-15 (and 2013-14) that are in excess of £1 million:

<sup>1</sup> 2013-14 £000		2014-15 £000
58,323	Redistributed Business Rates	57,927
85,869	Revenue Support Grant	72,017
8,318	NHS Funding	10,652
6,670	Education Services Grant	6,366
3,640	Building Schools for the Future PFI Grant	4,853
3,944	Street Lighting PFI Grant	3,944
2,887	New Homes Bonus	3,334
2,691	Waste PFI Grant	2,691
-	Adult Safeguarded Learning Grants	2,139
1,028	Primary Schools Sports Funding	1,571
-	Business Rates Compensation Grant	1,302

# NOTES TO THE CORE FINANCIAL STATEMENTS

<sup>1</sup> 2013-14 £000	2014-15 £000
1,043 Social Fund	1,028
<b>2176,561 Total</b>	<b>167,824</b>

<sup>1</sup>Adoption Reform Grant and Local Services Support Grant (£2,148k combined in 2013-14) are now both below the £1m threshold. The previous year Grant total has been adjusted accordingly

## Grant income supplied with mandated requirements

The following is a list of all conditional revenue grants received in excess of £1 million during 2014-15:

2013-14 £000	2014-15 £000
238,943 Dedicated Schools Grant	235,131
21,231 Public Health Grant	21,450
2,678 School Sixth Forms Funding	2,796
7,678 Pupil Premiums	10,957
<b>270,530 Total</b>	<b>270,334</b>

## Capital Grants receipts in advance

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

31-Mar-14 £000	31-Mar-15 £000
<b>Current:</b>	
<b>Grants</b>	
427 Building Schools for the Future project	280
2,268 Standards Fund capital grants	4,543
<b>Contributions</b>	
13,077 Section 106 contributions and Community Infrastructure levy <sup>1</sup>	19,870
1,633 Other contributions	5,171
<b>Long Term:</b>	
<b>Contributions</b>	
16,635 Section 106 contributions and Community Infrastructure levy	12,975
<b>34,040 Total</b>	<b>42,839</b>

<sup>1</sup>Restated to include S106 contributions previously classified as grants

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 31. 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 23](#) on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in [note 30](#).

### Member and Senior Officer declarations

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

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

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

The Council has 2 pooled budget arrangements with NHS Cambridgeshire for the provision of services for people with learning disabilities and an integrated community equipment service. Details for each of these pooled budgets can be found in [note 25](#).

### Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2015:

LGSS with Northamptonshire County Council				
Legal status of entity	Joint Committee			
Business of entity	Joint delivery of transactional and professional functions with a view to more economical, efficient and effective services			
Council's share of entity	50%		50%	
	£000		£000	
	<b>2013-14</b>	<b>CCC share</b>	<b>2014-15</b>	<b>CCC share</b>
Net expenditure*	24,060	10,716	22,686	10,152
Surplus*	-2,009	-1,005	-652	-326

\*This is the total position for LGSS (excluding budgets managed on behalf of CCC and NCC)

## NOTES TO THE CORE FINANCIAL STATEMENTS

LGSS was established in October 2010 and is delivered through a joint committee with its own management team. LGSS provides complete back office services and corporate support functions to Cambridgeshire and Northamptonshire County Councils, as well as specific support functions to Norwich City Council. In recent years, LGSS has secured major new partnerships across the region with many other public service organisations including several District & Borough Councils (e.g. Northampton Borough), NHS Health Bodies, Adults Care Services (e.g. Olympus Care Services) and schools.

### Pensions

The Pension Fund had an average cash balance of £23.4m (2013-14 £5.2m) invested with the Council on which £145k interest was paid (2013-14 £52k). Administrative and other recharges made by the Council to the Pension Fund totalled £2.365m (2013-14 £2.652m).

### Cambridge and Counties Bank

Cambridge and Counties Bank provides SME's with loans secured against commercial property as well as a highly competitive deposit account. In addition to this, it offers secured pension scheme lending, and has plans to launch financing deals for professional firms, as well as other competitive savings accounts into both the retail and non-retail sectors.

The bank has a unique structure being jointly owned by the Cambridgeshire Local Government Pension Fund and Trinity Hall college (each owning a 50% share), and assets from a former bank have been bought for the new venture. The current market value of the Pension Fund's investment at 31 March 2015 is £17.3m.

## 32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The closing CFR at 31 March 2015 was £621m (£602m at 31 March 2014).

<sup>1</sup> Restated 2013-14 £000		2014-15 £000
	<b>Expenditure funded from capital:</b>	
81,765	Property, Plant and Equipment	51,058
15,055	Revenue Expenditure Funded from Capital under Statute	7,157
	<b>Sources of finance</b>	
-6,087	Capital receipts	-5,350
-56,669	Government grants and other contributions	-9,073
-	Direct Revenue Contributions	-598
	<b>Sum set aside from revenue:</b>	
-21,292	MRP/ loans fund principal	-24,232

# NOTES TO THE CORE FINANCIAL STATEMENTS

<sup>1</sup> Restated 2013-14 £000		2014-15 £000
	<b>Explanation of movements in year</b>	
-24,786	Decrease in underlying need to borrow (unsupported by government financial assistance)	-35,688
12,014	Assets acquired under PFI contracts	16,726

<sup>1</sup>Restated for the accounting for schools prior period adjustment as detailed in note 42.

## 33. LEASES

### Council as Lessee:

#### (i) Finance Leases

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

31-Mar-14 £000		31-Mar-15 £000
36,215	Other Land and Buildings	36,990

\*Restated to reflect recategorisation of leases and additional leases not identified in this note previously

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:

MLP* 31-Mar-14 £000	FLL* 31-Mar-14 £000		MLP 31-Mar-15 £000	FLL 31-Mar-15 £000
9	6	Not later than 1 year	9	5
36	20	Later than 1 year and not later than 5 years	36	19
321	77	Later than 5 years	312	72
<b>366</b>	<b>103</b>	<b>Total</b>	<b>357</b>	<b>96</b>

\*Restated to reflect recategorisation of leases, additional leases not identified in this note previously plus correction to minimum lease payments

#### (ii) Operating Leases

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

31-Mar-14* £000		31-Mar-15 £000
799	Not later than 1 year	870
2,629	Later than 1 year and not later than 5 years	2,583
3,940	Later than 5 years	3,659
<b>7,368</b>	<b>Total</b>	<b>7,112</b>

\*Restated to reflect recategorisation/removal of leases, plus correction to minimum lease payments

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

31-Mar-14* £000		31-Mar-15 £000
799	Minimum lease payments	799
76	Contingent rents	76
<b>875</b>	<b>Total</b>	<b>875</b>

\*Restated to reflect correction to minimum lease payments

### Council as Lessor:

#### (i) Finance Leases

The Council has leased out playing fields, a landfill site and all Academy land and buildings 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

MLP*	GI*		MLP	GI
31-Mar-14	31-Mar-14		31-Mar-15	31-Mar-15
£000	£000		£000	£000
124	115	Not later than 1 year	124	111
337	253	Later than 1 year and not later than 5 years	269	185
317	165	Later than 5 years	261	123
<b>778</b>	<b>533</b>	<b>Total</b>	<b>654</b>	<b>419</b>

\*Restated to reflect recategorisation of leases, additional leases not identified in this note previously plus correction to minimum lease payments

### (ii) Operating Leases

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

31-Mar-14*		31-Mar-15
£000		£000
4,921	Not later than 1 year	4,535
16,172	Later than 1 year and not later than 5 years	14,755
51,832	Later than 5 years	48,699
<b>72,925</b>	<b>Total</b>	<b>67,989</b>

\*Restated to reflect recategorisation of leases, additional leases not identified in this note previously plus correction to minimum lease payments

## 34. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Waste PFI

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

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

There is no option within the contract for renewal given the operation of the PFI mechanism, as the payment term for the asset will be complete and the payment mechanism will no longer apply. However, extension on revised terms, rather than full renewal, is accommodated in the contract after the 28 year period, and multiple termination clauses exist within the contract for

## NOTES TO THE CORE FINANCIAL STATEMENTS

both parties for factors such as contractor default, Council default, contract breach and Force Majeure etc. Council or contractor initiated change processes are defined in the project agreement and the principle of 'no better, no worse', can be applied to any and all aspects of the contract, at any level of cost or time, given the defined dispute resolution procedures and the support of appointed independent adjudicators.

For 2014-15, the following figures have been recognised in the Council's financial statements:

2013-14 £000	Comprehensive Income and Expenditure Statement	2014-15 £000	
10,935	Fair Value of Services Provided	11,208	
5,248	Interest payable on the finance lease liability	5,096	
1,459	Repayment of Capital	208	
1,595	Contingent Rents	1,820	
703	Lifecycle replacement costs	2,107	
2,951	Depreciation	2,787	
-2,691	PFI Credits	-2,691	
31-Mar-14 £000	Balance Sheet	31-Mar-15 £000	Movement £000
	<b>Assets</b>		
19,767	Land and buildings	18,868	-899
1,882	Plant and equipment	3,878	1,996
	<b>Liabilities</b>		
-2,294	Overdraft	-	2,294
-208	Short term finance lease liability	-494	-286
-48,782	Long term finance lease liability	-48,288	494
	<b>Reserves</b>		
-2,294	Carry-forward Reserves	-	2,294
1,482	Revaluation Reserve	1,482	-
-28,823	Capital Adjustment Account (Depreciation and Debt Provision)	-27,518	1,305

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

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	11,488	1,842	494	7,125	20,949
Within 2 to 5 years	48,897	5,634	4,143	30,495	89,169
Within 6 to 10 years	68,321	11,645	4,887	39,737	124,590
Within 11 to 15 years	77,299	9,024	10,013	44,626	140,962
Within 16 to 20 years	87,456	3,497	22,532	46,001	159,486
Within 21 years	18,825	-	6,713	8,792	34,330
<b>Total</b>	<b>312,286</b>	<b>31,642</b>	<b>48,782</b>	<b>176,776</b>	<b>569,486</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2013-14 £000		2014-15 £000
50,450	Balance outstanding at start of year	48,990
-1,460	Payments during the year	-208
48,990	Balance outstanding at end of year	48,782

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

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

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

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

For 2014-15, the following figures have been recognised in the Council's financial statements:

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14 £000	Comprehensive Income and Expenditure Statement	2014-15 £000	
2,390	Fair Value of Services Provided	2,505	
1,150	Interest payable on the finance lease liability	2,010	
2,223	Repayment of Capital	1,932	
-	Contingent Rents	6	
902	Depreciation	1,388	
-3,944	PFI Credits	-3,944	
31-Mar-14 £000	Balance Sheet	31-Mar-15 £000	Movement £000
	<b>Assets</b>		
27,007	Infrastructure	37,944	10,937
	<b>Liabilities</b>		
-1,932	Short term finance lease liability	-1,659	273
-20,924	Long term finance lease liability	-31,590	-10,666
	<b>Reserves</b>		
4,151	Capital Adjustment Account (Depreciation and Debt Provision)	4,695	544

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

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	2,539	-	1,659	2,959	7,157
Within 2 to 5 years	9,696	-	5,377	16,144	31,217
Within 6 to 10 years	13,725	2,375	7,549	17,325	40,974
Within 11 to 15 years	15,323	3,571	10,761	13,734	43,389
Within 16 to 20 years	16,655	3,449	17,077	8,942	46,123
Within 21 to 22 years	4,391	-	6,079	1,527	11,997
<b>Total</b>	<b>62,329</b>	<b>9,395</b>	<b>48,502</b>	<b>60,631</b>	<b>180,857</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14 £000		2014-15 £000
13,071	Balance outstanding at start of year	22,856
-2,229	Payments during the year	-1,932
12,014	Capital expenditure incurred in the year	12,325
22,856	Balance outstanding at end of year	33,249

### Building Schools for the Future (BSF)

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

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

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

As Thomas Clarkson Community College converted to academy status on the 1 June 2012 (it was previously a foundation school), its assets are not recognised on the Council's Balance Sheet. However, the associated liabilities are recognised, as the contractor has met their contractual commitment and there is no recourse to the school for any future payments. The subsequent loss that this accounting treatment creates is expensed through the Comprehensive Income and Expenditure Statement and financed as Revenue Expenditure Funded as Capital Under Statute (REFCUS).

For 2014-15, the following figures have been recognised in the Council's financial statements:

2013-14 £000		2014-15 £000	
-457	Repayment of Capital	-505	
31-Mar-14 £000	Balance Sheet	31-Mar-15 £000	Movement £000
	<b>Liabilities</b>		
-506	Short term finance lease liability	-559	-53
-31,460	Long term finance lease liability	-30,902	558
	<b>Reserves</b>		
-31,966	Capital Adjustment Account	-31,461	505

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	782	93	559	3,750	5,184
Within 2 to 5 years	3,329	561	2,709	14,723	21,322
Within 6 to 10 years	4,651	1,453	4,371	17,607	28,082
Within 11 to 15 years	5,263	1,418	7,333	15,850	29,864
Within 16 to 20 years	5,954	2,047	11,377	12,501	31,879
Within 21 to 22 years	2,595	979	5,112	3,083	11,769
<b>Total</b>	<b>22,574</b>	<b>6,551</b>	<b>31,461</b>	<b>67,514</b>	<b>128,100</b>

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

2013-14 £000		2014-15 £000
<b>32,423</b>	<b>Balance outstanding at start of year</b>	<b>31,966</b>
-457	Payments during the year	-505
<b>31,966</b>	<b>Balance outstanding at end of year</b>	<b>31,461</b>

### 35. IMPAIRMENT LOSSES

During 2014-15, the Council did not recognise any material impairments (i.e. those in excess of £1m).

### 36. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2014-15, incurring costs of £1.1m (£1.7m in 2013-14). See [note 27](#) for the number of exit packages and total cost per band that has been paid during the year.

### 37. RETIREMENT BENEFITS

#### DEFINED BENEFIT PENSION SCHEMES

##### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not



## NOTES TO THE CORE FINANCIAL STATEMENTS

actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

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

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

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

### Discretionary post-retirement benefits

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

### Transactions relating to post-employment benefits

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

As previously stated, the Local Government Pension Scheme (LGPS) is administered by Cambridgeshire County Council on behalf of all participating employers. It should be noted that the following figures only represent the Council's share as a participating employer. The figures for the entire LGPS are shown in the Pension Fund Accounts on pages 114-152.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

2013-14 £000		LGPS	2014-15 £000
		<b>Comprehensive Income and Expenditure Statement:</b>	
		<b>Cost of Services</b>	
		Service cost comprising:	
31,984	- current service cost		34,959
675	- past service costs		298
-3,201	- gain (-)/ loss from settlements		-2,932
		<b>Financing and Investment Income and Expenditure:</b>	
19,707	Net interest expense		18,762
<b>49,165</b>	<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>		<b>51,087</b>
		<b>Other post-employment benefits charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement:</b>	
		Remeasurement of the net defined benefit liability comprising:	
-7,712	- Return on plan assets (excluding the amount included in the net interest expense)		-55,216
-21,644	- Actuarial gains (-)/ losses arising on changes in demographic assumptions		-
47,554	- Actuarial gains (-)/ losses arising on changes in financial assumptions		176,237
-39,606	- Other		-20,800
<b>27,757</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		<b>151,308</b>
		<b>Movement in Reserves Statement:</b>	
-19,359	- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code		-21,248
		Actual amount charged against the General Fund Balance for pensions in the year:	
<b>-26,474</b>	<b>Employers' contributions payable to scheme</b>		<b>-27,314</b>
<b>36,930</b>	<b>Retirement benefits payable to pensioners</b>		<b>37,108</b>

### 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14 £000		2014-15 £000
-1,168,688	Present value of the defined benefit obligation	-1,376,923
730,902	Fair value of plan assets	817,668
<b>-437,786</b>	<b>Net liability arising from defined benefit obligation</b>	<b>-559,255</b>

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

2013-14 £000		2014-15 £000
<b>693,062</b>	<b>Opening fair value of scheme assets</b>	<b>730,902</b>
31,094	Interest income	31,370
	<b>Remeasurement gain/ loss (-):</b>	
7,712	- Return on plan assets (excluding the amount included in the net interest expense)	55,216
-2,372	- Effect on settlements	-1,219
29,806	Contributions from employer	29,839
8,530	Contributions from employees into the scheme	8,668
-36,930	Benefits paid	-37,108
<b>730,902</b>	<b>Closing fair value of scheme assets</b>	<b>817,668</b>

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

2013-14 £000		2014-15 £000
<b>1,132,897</b>	<b>Opening balance at 1 April</b>	<b>1,168,688</b>
31,984	Current service cost	34,959
50,801	Interest cost	50,132
8,530	Contributions from scheme participants	8,668
	<b>Remeasurement gains (-)/ losses:</b>	
-21,644	- Actuarial gains (-) arising on changes in demographic assumptions	-
47,554	- Actuarial losses arising on changes in financial assumptions	176,237
-39,606	- Other	-20,800
675	Past service cost (including curtailments)	298
-36,930	Benefits paid	-37,108
-5,573	Liabilities extinguished on settlements	-4,151
<b>1,168,688</b>	<b>Closing balance at 31 March</b>	<b>1,376,923</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Local Government Pension Scheme assets comprise:

2013-14 £000		2014-15 £000
9,745	<b>Cash and cash equivalents</b>	24,502
	<b>Equity Instruments (by industry type):</b>	
63,819	- Consumer	80,985
60,318	- Manufacturing	50,128
25,901	- Energy and Utilities	23,037
73,736	- Financial Institutions	66,873
21,549	- Health and Care	39,810
43,706	- Information Technology	36,969
2,029	- Other	-
<b>291,058</b>		<b>297,802</b>
43,478	<b>Private Equity</b>	57,971
	<b>Investment Funds and Unit Trusts:</b>	
235,016	- Equities	251,889
111,412	- Bonds	124,672
40,193	- Other	60,832
<b>386,621</b>		<b>437,393</b>
<b>730,902</b>	<b>Total Assets</b>	<b>817,668</b>

### Basis for estimating assets and liabilities

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

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

The significant assumptions used by the actuary have been:

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013-14 £000	2014-15 £000
Mortality assumptions:	
Longevity at 65 for current pensioners:	
22.5 - Men	22.5
24.5 - Women	24.5
Longevity at 65 for future pensioners:	
24.4 - Men	24.4
26.9 - Women	26.9
2.8% Rate of inflation	2.4%
4.6% Rate of increase in salaries	4.3%
2.8% Rate of increase in pensions	2.4%
4.3% Rate for discounting scheme liabilities	3.2%

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

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

	Impact on the Defined Benefit Obligation in the Scheme £000
1 year increase in member life expectancy	41,308
0.5% decrease in inflation/ discount rate	138,878
0.5% increase in salary rate	41,787
0.5% increase in pension increase rate	94,393

# NOTES TO THE CORE FINANCIAL STATEMENTS

## PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

### Teachers' pension schemes costs

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014-15, the Council paid £11.8m to Teachers' Pensions in respect of teachers' retirement benefits (2013-14 were £12.2m). There were no contributions remaining payable at the year-end:

2013-14 £000		2014-15 £000
12,175	Employer's contributions	11,840
7,570	Employee contributions	7,924
<b>19,745</b>	<b>Total paid to Department For Education</b>	<b>19,764</b>

These amounts reflect contributions at the following rates:

2013-14 %		2014-15 %
14.1	Employer contribution	14.1
	Employee contributions (pensionable pay based on salary bandings):	
6.4	£0 - £14,999	6.4
7.0	£15,000 - £25,999	7.2
7.9	£26,000 - £31,999	8.3
8.8	£32,000 - £39,999	9.5
9.2	£40,000 - £44,999	9.9
10.1	£45,000 - £74,999	11.0
10.6	£75,000 - £99,999	11.6
11.2	£100,000+	12.4

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### 38. CONTINGENT LIABILITIES

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

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

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

#### **Municipal Mutual Insurance Limited (MMI)**

Following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement had been triggered (see [note 20](#)) the Council has continued to meet levy payments of claims and legal costs associated with claims arising during the period the Council was insured by MMI. It is thought that the levy rate could be increased and as such the required provision will need to be increased. For that purpose the Council is holding £1.45m in the accounts for this risk.

#### **Guided Busway**

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

#### **Accounting for Landfill Sites**

Decommissioning/ restoration costs at landfill sites should be professionally assessed (and reviewed every 5 years). These anticipated costs should then be amortised over the assets



## NOTES TO THE CORE FINANCIAL STATEMENTS

lifetime up to the point of decommissioning, reflecting the cost of restoration up to the point the restoration is required. As a result, a suggested approach to mitigate the impact of these costs on the total comprehensive income and expenditure position is to create a specific provision.

The Council currently has 3 operational landfill sites leased out to a third party operator. The planning permissions for the completion of the filling of the landfill void and subsequent restoration works at these sites range from 2020 to 2026. At this time, it is not practicable to estimate the costs involved in decommissioning and restoring these sites and as such, no provision has been included in the accounts for these potential liabilities.

It should be noted that the Council currently manages its closed landfill aftercare costs through its annual revenue budget. Any further remediation/ restoration work is carried out through one-off capital budget bids, which mitigates the need for any additional provision.

### 39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework detailed in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the *CIPFA Prudential Code*, the *CIPFA Treasury Management in the Public Services Code of Practice* and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
  - ▶ The Council's overall borrowing;
  - ▶ Its maximum and minimum exposures to fixed and variable rates;
  - ▶ Its maximum and minimum for exposures to the maturity structure of its debt;
  - ▶ Its maximum annual exposures to investments maturing beyond a year.
- By approving an Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance against the prudential indicators is reported to Members as part of the outturn report at the end of each financial year.

The annual Treasury Management Strategy, which incorporates the prudential indicators, was approved by Council on 18 February 2014 and is available on the Council's website. The key issues within the Strategy were:

## NOTES TO THE CORE FINANCIAL STATEMENTS

- The Authorised Limit for 2014-15 was set at £628m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £598m. This is the expected level of debt and other long term liabilities during the year. Actual borrowing at the 31 March 2015 was £383m
- The maximum amounts of fixed and variable interest rate exposure were set at 150% and 65% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt are as follows:

Debt maturity (lower/upper limits as % of debt)	%
Less than 1 year	0 – 80
1-2 years	0 – 50
2-5 years	0 – 50
5-10 years	0 – 50
10 years and above	0 – 100

These policies are implemented by the Treasury team. The Council maintains a written Treasury Management Manual that contains policies for overall risk management as well as specific areas such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the [Code of Practice](#) and are reviewed periodically.

### Credit risk – the possibility that third parties might fail to pay amounts due to the Council

This risk is minimised through the Treasury Management Strategy, which requires that all investments are either short-term sterling cash deposits, or deposits in money market funds. Given the risks involved in making deposits in foreign banks, and the low level of cash investments relative to other local authorities, a restricted list of UK lenders is sufficient to provide a diversification against risk whilst providing the opportunity for earning a market rate of interest.

Whilst the credit crisis in international markets in recent years has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

No breaches of the Council's counterparty criteria occurred during the reporting year and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

31-Mar-14 £000		31-Mar-15 £000
20,508	Less than three months	37,515
1,160	Three to six months	1,283
760	Six months to one year	1,015
3,221	More than one year	2,087
<b>25,649</b>	<b>Total</b>	<b>41,900</b>

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

### Liquidity risk – the possibility that the Council might not have funds to meet its commitments to make payments

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 Strategies reports), as well as through a comprehensive cash flow management system, as required by the *Code of Practice*. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer-term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the *Local Government Finance Act 1992*, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity profile of loans raised is spread over a period of up to 70 years to mitigate the risk of encountering difficulties in raising liquidity on favourable terms in any one year. The team monitor the maturity profile and amend it accordingly through either new borrowing or the rescheduling of the existing debt.

The maturity analysis of financial liabilities is as follows (note: this reflects loan principal, but not accrued interest):

31-Mar-14 £000		31-Mar-15 £000
-	Less than one year	23,043
23,043	Between one and two years	-
7,443	Between two and five years	7,443
60,806	Between five and ten years	68,550
289,851	More than ten years	282,107
<b>381,143</b>	<b>Total</b>	<b>381,143</b>
25 years	Average maturity of long term loans	24 years

## NOTES TO THE CORE FINANCIAL STATEMENTS

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All trade and other payables are due to be paid in less than one year and are not shown in the table above. In addition, the maturity analysis of the PFI financing liability is also omitted from the above figures as that information is given in [note 34](#).

### **Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements**

#### Interest rate risk

The Council is exposed to interest rate movements on its borrowings which 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 Comprehensive Income and Expenditure Statement would rise;
- Borrowings at fixed rates – the fair value of the borrowing would fall.

The Council currently has no variable rate borrowings; therefore changes in interest rates will have no impact on the carrying value of the Council's borrowings. However, the impact of a 1% increase in interest rates would reduce the fair value of fixed rate borrowings by £70.8m. The impact of a 1% reduction would increase the fair value of fixed rate borrowings by £94.6m.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable on variable rate borrowings will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately.

#### Price risk

The Council, excluding the pension fund, does not invest in equity shares or marketable bonds and is therefore not subject to price risk.

#### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

#### Credit risk

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies. The Council has a policy of limiting deposits with institutions to a maximum of £20m.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

### 40. HERITAGE ASSETS: Summary of Transactions since April 2010

The Council provides some details of known acquisitions since 2008 in [note 13](#), which include items added to the Cromwell Museum at an overall valuation of £12,226. It is also known that there has been a 7% increase in the storage space required for the archives.

As the known values of acquired items are either small or prohibitively costly to obtain, the Council does not believe that providing a break-down of acquisitions by year, over any time period, would prove useful.

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

#### Cambridgeshire Archives and Local Studies

The archives collections held by Cambridgeshire Archives and Local Studies (CALS) include original historical documents relating to the area covered by the modern county of Cambridgeshire, and are made available to the public in 2 record offices: at Shire Hall and Huntingdon Library and Archives. The purpose of preserving these records is so that members of the public may consult them, which is allowed within supervised reading rooms.

A catalogue of the collection is available publically through the internet and contains details of at least 250,000 items. There may be another 250,000 or so items still to catalogue. There are three active cataloguing projects which focus on Cambridge City, Manorial Documents and the "Fen Office" and Bedford Level.

#### Governance

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

Major stakeholders, including the owners of some large collections, are represented on the County Advisory Group for Archives and Local Studies (CAGALS). This Group meets three

## NOTES TO THE CORE FINANCIAL STATEMENTS

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times a year to oversee the management and direction of the archives service and to give its advice where necessary.

### Storage and preservation

The archival collections are held in secure, environmentally-monitored strong rooms. The strong rooms in the basement of Shire Hall, Cambridge, do not meet the current standard and we have been informed by The National Archives that they expect the Council to find alternative storage by 2015. The strong room at Huntingdon Library and Archives and the Cottenham out-store do meet the expected standard.

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

### Status of acquisitions

Currently CALS holds about 570 cubic metres of archives. In addition about 290 cubic metres of local studies materials are held at the Cambridge Central Library.

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

No market valuations are made at time of accession, as the Council does not consider that reliable valuation information can be obtained given the lack of any comparable market values. The vast majority of other historical documents of comparable scope and importance are already held by other county record offices and therefore do not appear on the market. The only recent acquisitions for which CALS has definite valuations are those which have been acquired through purchase, or occasionally through donation where a third party has paid for the cost of purchase. Reference is made to recent instances in [note 13](#).

### **The Cromwell Museum**

The Cromwell Museum contains over 600 objects including: arms and armour; books and documents; coins, medals and seals; costume; images; paintings; and prints. The majority of the collection is owned, and the Museum makes and receives loans from the descendants of Cromwell and other museums. Not all of the collection is on display, but all material in the collection is available for study and consultation on request.

The Curator is supported by an advisory committee. The Museum has recently undertaken a project to complete the digital recording of the collection which is now complete.

### **Archaeology and Monuments**

The archaeology collection principally consists of around 10,000 boxes of material excavated in the county since 1992, with partial coverage from before that date. These archives are



## NOTES TO THE CORE FINANCIAL STATEMENTS

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transferred to the council's ownership at time of deposition. The contents of these archives date from all periods of human activity from the late lower Palaeolithic to present day.

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

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

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

The cost of preservation of archaeological assets held in store is £15,000 per annum.

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

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

The Council considers that Gransden Mill and Ramsey Ice House meet the definition of a community asset, although they also contribute to the preservation of culture.

### Art Collection

The art collection consists of 413 paintings, prints, drawings and photographs. The primary use of the collection is by Cambridgeshire schools to support and enrich the curriculum. As at 31 March 2013, 7 schools were displaying items from the collection. Requests for works can be made by schools through the Council's website.

Historically the collection has grown through art works being bought or donated. In recent years the collection has grown through donations only, and is now static. The average insurance valuation per work is £363. Administration of the collection is undertaken by Council staff within Children and Young People's Services.



# NOTES TO THE CORE FINANCIAL STATEMENTS

## Civic regalia

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

## 42. PRIOR PERIOD ADJUSTMENT

Since the introduction of IFRS, guidance on accounting for long-term school assets of has not been specifically highlighted by the Code. As such, the Council has used guidance previously issued by the Audit Commission which suggested Community and Voluntary Controlled long-term school assets should be included within the Council's accounts, whereas Voluntary Aided, Foundation and Academy long-term school assets should not.

However, in the 2014-15 Code, CIPFA/LASAAC introduced a new appendix which sets out the accounting treatment for local authority maintained schools and states that balances for all local authority maintained schools should be consolidated within local authority accounts. The Code makes it clear that the school as an entity should be understood to mean the management of the school, i.e. the governing body including the headteacher and the resources it controls rather than the physical fabric of the buildings and grounds. Whether the school as an entity includes the premises and land that the schools operate from will depend on whether these assets are controlled by the school management using the relevant recognition tests.

The February 2014 consultation on *Accounting for Schools in Local Authorities in England and Wales* looked specifically at the case of non-current assets owned by religious bodies. The consultation identified that Property, Plant and Equipment (i.e. land and buildings provided at no charge to schools by religious bodies) in many cases are used under the condition that the school may not have the right to continuing use of the assets and the assets can be taken back by their owners at any point. Following a treatment that is analogous to lease accounting and as the risks and rewards of ownership are unlikely to lie with schools in such circumstances, the assets should not be recognised as those of the school, and therefore should not be recognised in local authority financial statements. Similarly, assets owned and controlled by separate trusts would also not be recognised in the local authority Balance Sheet as they are not controlled by the school.

The Council has taken all of the above factors into consideration, and has determined that it is appropriate to change its accounting policy such that, as a general principle, Foundation school assets should be included within the Council's balance sheet, whereas Voluntary Controlled assets should not. Community school assets will remain consolidated, whereas Voluntary Aided and Academy assets will remain separate. However, long-term assets of all schools will still be subject to individual asset recognition tests under the Code's adoption of IAS 16 *Property, Plant and Equipment*. If the non-current assets in question are subject to any specific arrangements, for example a lease or lease type arrangements or service concession arrangements (PFI/PPP schemes), then these assets will be recognised in accordance with the requirements of the Code for these areas.

## NOTES TO THE CORE FINANCIAL STATEMENTS

In applying the new accounting policy, the Council has identified that as at 31 March 2015 there are 39 Voluntary Controlled schools and 11 Foundation schools subject to individual asset recognition tests. Of the 39 Voluntary Controlled Schools, 38 of these have been determined to not be controlled by the Council and therefore have been derecognised. Of the 11 Foundation schools, 4 were determined to be controlled by separate trusts; the remaining 7 therefore are under the Council's control and have been recognised. The 1 April 2013 and 31 March 2014 Balance Sheets and 2013-14 comparative figures have thus been restated in the 2014-15 Statement of Accounts to apply the new policy to these schools.

The effects of the restatement are as follows:

- At 1 April 2013, the carrying amount of the Land and Buildings category of Property, Plant and Equipment is restated upwards by £1.7m (£75.9m of Foundation school assets, less £74.2m Voluntary Controlled assets). The additional carrying value of Land and Buildings is matched by a credit to the Capital Adjustment Account.

The 2013-14 Land and Buildings carrying value is restated downwards by £5.7m in order to remove depreciation and revaluations of Voluntary Controlled schools (-£0.0m), treat Voluntary Controlled spend as REFCUS (-£4.5m) and to depreciate Foundation school assets (-£1.2m). The 2013-14 Assets Under Construction carrying value is restated upwards by £0.4m to reinstate the previous removal of REFCUS expenditure on Foundation school assets that have not yet completed. The change in carrying value of Land and Buildings and Assets Under Construction is matched by a debit to the Revaluation reserve of £5.4m and a credit to the Capital Adjustment Account of 0.1m.

The total impact on 2012-13 and 2013-14 balances is as follows:

2012-13 £000	2012-13 (Restated) £000	Movement £000	Movement in Reserves Statement	2013-14 £000	2013-14 (Restated) £000	Movement £000
-23,089	-17,527	5,562	<b>General Fund:</b>			
			Deficit on the provision of services (accounting basis)	-105,616	-105,549	67
25,549	19,887	-5,662	Adjustments between accounting basis and funding basis under regulations	106,423	106,356	-67
			<b>Revaluation Reserve:</b>			
			Other comprehensive income and expenditure	23,693	18,341	-5,352
			<b>Capital Adjustment Account:</b>			
3,901	9,563	5,662	Adjustments between accounting basis and funding basis under regulations	-44,639	-44,572	67

# NOTES TO THE CORE FINANCIAL STATEMENTS

2012-13 £000	2012-13 (Restated) £000	Movement £000	Comprehensive Income and Expenditure Statement	2013-14 £000	2013-14 (Restated) £000	Movement £000
142,456	148,118	5,662	Education and children's services	144,925	145,104	179
			Capital grants and contributions	-45,539	-45,786	-247
			(Surplus) or deficit on revaluation of fixed assets	-33,848	-28,496	5,352
1-Apr-13 £000	1-Apr-13 (Restated) £000	Movement £000	Balance Sheet	31-Mar-14 £000	31-Mar-14 (Restated) £000	Movement £000
858,820	853,158	-5,662	Land and buildings	828,539	817,196	-11,343
			Assets under construction	216,326	216,723	397
			Revaluation Reserve	360,742	355,390	-5,352
821,517	815,855	-5,662	Capital Adjustment Account	776,879	771,286	-5,593
2012-13 £000	2012-13 (Restated) £000	Movement £000	Cash Flow Statement	2013-14 £000	2013-14 (Restated) £000	Movement £000
23,089	17,427	-5,662	Deficit on the provision of services (accounting basis)	105,616	105,549	-67
			<b>Adjustment to the net deficit on the provision of services for non cash movements:</b>			
			Depreciation	-35,189	-34,736	453
			Impairment and downward valuations	6,528	10,239	3,711
			Other non-cash items charged to the deficit on the provision of services	-2,236	-6,580	-4,344
			<b>Investing activities:</b>			
133,051	138,713	5,662	Purchases of PPE	-56,422	-56,175	247
			Capital Grants			
2012-13 £000	2012-13 (Restated) £000	Movement £000	Adjustments Between Accounting Basis and Funding Basis Under Regulations ( <a href="#">note 7</a> )	2013-14 £000	2013-14 (Restated) £000	Movement £000
30,261	35,923	5,662	General Fund	106,423	106,356	-67
-30,031	-35,693	-5,662	Unusable Reserves	-95,533	-95,466	67
2012-13 £000	2012-13 (Restated) £000	Movement £000	Property, Plant and Equipment	2013-14 £000	2013-14 (Restated) £000	Movement £000
1,833,813	1,828,378	-5,435	At 1-Apr-13	1,900,531	1,895,096	-5,435
			Additions	85,373	81,278	-4,095
			Revaluation increases/	14,010	9,576	-4,434

# NOTES TO THE CORE FINANCIAL STATEMENTS

			decreases (-) recognised in the Revaluation Reserve			
			Revaluation increases/	40,868	45,539	4,671
			decreases (-) recognised in the surplus/ deficit on the Provision of services			
			<b>Accumulated Depreciation and Impairment:</b>			
-134,250	-134,477	-227	<b>At 1-Apr-13</b>	-143,256	-143,483	-227
			Depreciation charge	-35,189	-34,736	453
			Depreciation written out to the Revaluation Reserve	33,684	32,766	-918
1-Apr-13	1-Apr-13 (Restated)	Movement	Unusable Reserves	31-Mar-14	31-Mar-14 (Restated)	Movement
£000	£000	£000		£000	£000	£000
			<b>Revaluation Reserve:</b>			
			Upward revaluation of assets	31,985	25,741	-6,244
			Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-8,293	-7,401	892
			<b>Balance at 31<sup>st</sup> March</b>	360,742	355,390	-5,352
			<b>Capital Adjustment Account:</b>			
821,517	815,855	-5,662	<b>Balance at 1<sup>st</sup> April</b>	821,517	815,855	-5,662
			Charges for depreciation and impairment of long-term assets	-33,970	-33,517	453
			Revaluation losses on Property, Plant and Equipment	5,309	9,020	3,711
			Revenue expenditure funded from capital under statute	-10,713	-15,055	-4,342
			Application of grants to capital financing from the Capital Grants and Contributions	56,422	56,669	247
			Unapplied Account			
			<b>Balance at 31<sup>st</sup> March</b>	776,879	771,286	-5,593

## PENSION FUND

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## PENSION FUND

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

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

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

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

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

### INTRODUCTION

- 1.1 The following comprises the Statement of Accounts for the Cambridgeshire County Council Pension Fund. The accounts cover the financial year from 1 April 2014 to 31 March 2015.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3 The accounts are set out in the following order:

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

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

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

# PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

31-Mar-14 £000		Notes	31-Mar-15 £000
	<b><u>Dealings with members, employers and others directly involved in the fund:</u></b>		
99,575	Contributions	7	109,103
4,249	Transfers in from other pension funds	8	2,866
<b>103,824</b>			<b>111,969</b>
-87,599	Benefits	9	-91,901
-5,514	Payments to and on account of leavers	10	-36,845
<b>-93,113</b>			<b>-128,746</b>
<b>10,711</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>-16,777</b>
-7,221	Management Expenses	11	-9,898
	<b><u>Returns on investments:</u></b>		
36,504	Investment income	12	35,712
-1,803	Taxes on income		-1,176
115,628	Profit and losses on disposal of investments and changes in the market value of investments	14a	218,316
<b>150,329</b>	<b>Net returns on investments</b>		<b>252,852</b>
<b>153,819</b>	<b>Net increase in the net assets available for benefits during the year</b>		<b>226,177</b>

Note: Management Expenses for 2013/14 have been re-presented to combine Administrative Expenses and Investment Expenses



## PENSION FUND NET ASSET STATEMENT

31-Mar-14 £000		Notes	31-Mar-15 £000
1,991,232	Investment assets	14	2,219,621
47,259	Cash deposits	14	48,731
<b>2,038,491</b>			<b>2,268,352</b>
-5,311	Investment liabilities	14	-594
22,202	Current assets	19	16,055
4,053	Non current assets	20	1,896
-1,894	Current liabilities	21	-1,991
<b>19,050</b>			<b>15,366</b>
<b>2,057,541</b>	<b>Net assets of the fund available to fund benefits at the period end</b>		<b>2,283,718</b>
<b>1,903,722</b>	<b>Opening net assets as at 1 April</b>		<b>2,057,541</b>
153,819	<b>Net increase in the net assets available for benefits during the year</b>		<b>226,177</b>
<b>2,057,541</b>	<b>Closing net assets as at 31 March</b>		<b>2,283,718</b>

## NOTES TO THE PENSION FUND ACCOUNTS

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### 1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Fund's Annual Report 2014-15 and the underlying statutory powers underpinning the scheme, namely the Public Services Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

#### General

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

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

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

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

#### Membership

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

Organisations participating in the Cambridgeshire Fund include:

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

As at 31 March 2015 there are 219 (2014: 197) active employer organisations within the Cambridgeshire Pension Fund including the County Council itself, an increase of 22, as detailed below:

## NOTES TO THE PENSION FUND ACCOUNTS

Cambridgeshire Fund	31-Mar-15	31-Mar-14
<b>Number of employers with active members</b>	219	197
<b>Number of employees in scheme:</b>		
County council	10,824	10,723
Other employers	14,521	14,131
<b>Total</b>	<b>25,345</b>	<b>24,854</b>
<b>Number of Pensioners:</b>		
County council	7,529	7,304
Other employers	8,129	7,687
<b>Total</b>	<b>15,658</b>	<b>14,991</b>
<b>Deferred pensioners:</b>		
County council	14,097	12,993
Other employers	14,158	12,800
<b>Total</b>	<b>28,255</b>	<b>25,793</b>

### 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 2015. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amount set for each employer as part of the triennial funding valuation.

### Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
<b>Lump Sum</b>	Automatic lump sum of 3 x salary. 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.

## NOTES TO THE PENSION FUND ACCOUNTS

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### Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their of 1/49<sup>th</sup> of each year's pensionable pay which creates a pension pot which is revalued annually by CPI until retirement.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits.

For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at John Dryden House, Northampton NN4 7YD or online at [pensions.cambridgeshire.gov.uk](http://pensions.cambridgeshire.gov.uk)

Benefits are index linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the Retail Prices Index to the Consumer Prices Index. This change took effect from 1 April 2011

## 2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2014-15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 18 of these accounts.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account – revenue recognition

#### Contribution income

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

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.

## NOTES TO THE PENSION FUND ACCOUNTS

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### Transfers to and from other schemes

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

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

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

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

### Investment income

i) *Interest income*

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

ii) *Dividend income*

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

iii) *Distributions from pooled funds*

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

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

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

v) *Stock lending*

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

## NOTES TO THE PENSION FUND ACCOUNTS

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### 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.

#### Administration expenses

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

#### Investment expenses

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

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

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

- Schroders Investment Management – Multi Asset
- Amundi Asset Management – Pan European Equity
- Newton Asset Management – Global Asset
- Skagen Asset Management - Emerging Market

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account.

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

## NOTES TO THE PENSION FUND ACCOUNTS

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The costs of the Council's in-house fund management team are charged direct to the Fund, and a proportion of the Council's costs representing management time spent by officers on investment management are also charged to the Fund.

### Net Assets Statement

#### Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

#### ■ Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

#### ■ Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Investments in pooled investment vehicles are valued at the net asset value or a single price advised by the Fund Manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective Fund Managers in accordance with the guidelines set out by the British Venture Capital Association.
- The joint ownership of Cambridge and Counties Bank is valued using the profit before tax multiple basis.

#### ■ Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.



## NOTES TO THE PENSION FUND ACCOUNTS

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### 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.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

### Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

### Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

### Contingent liabilities

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

### Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards [Code Para 6.5.2.8].

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 18).

## NOTES TO THE PENSION FUND ACCOUNTS

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### **Additional voluntary contributions**

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

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

### **4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES**

#### **Unquoted private equity and infrastructure investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2015 was £165.4m (£138.3m at 31 March 2014).

#### **Pension fund liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with quarterly updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

The 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.

## NOTES TO THE PENSION FUND ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £191m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £49m, and a one-year increase in assumed life expectancy would increase the liability by approximately £41m.
<b>Private equity and infrastructure</b>	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.	The total private equity investments in the financial statements are £148.1m. There is a risk that this investment may be under- or overstated in the accounts.
<b>Cambridge and Counties Bank</b>	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. For prudence, the Pension Fund's investment is valued using the profit before taxation multiple basis.	The investment in the financial statements is £17.3m. There is a risk that this investment may be under, or overstated in the accounts.

### 6. EVENTS AFTER THE YEAR END DATE

There have been no events since 31 March 2015, and up to the date when these accounts were authorised that require any adjustments to these accounts.

### 7. CONTRIBUTIONS RECEIVABLE

#### By category

2013-14 £000		2014-15 £000
76,086	Employers	82,086
23,489	Members	27,017
<b>99,575</b>		<b>109,103</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### By authority

2013-14 £000		2014-15 £000
30,525	Administering Authority	34,689
62,884	Scheduled Bodies	65,771
6,166	Admitted Bodies	8,643
<b>99,575</b>		<b>109,103</b>

### 8. TRANSFERS IN FROM OTHER PENSION FUNDS

2013-14 £000		2014-15 £000
4,249	Individual transfers	2,866
<b>4,249</b>		<b>2,866</b>

Transfers in from other pension funds are contingent on positive transfer elections from new employees with previous pension rights available to transfer.

### 9. BENEFITS PAYABLE

#### By category

2013-14 £000		2014-15 £000
68,383	Pensions	68,310
17,691	Commutation and lump sum retirement benefits	21,942
1,525	Lump sum death benefits	1,649
<b>87,599</b>		<b>91,901</b>

#### By authority

2013-14 £000		2014-15 £000
34,247	Administering Authority	37,220
49,744	Scheduled Bodies	49,158
3,608	Admitted Bodies	5,523
<b>87,599</b>		<b>91,901</b>

## NOTES TO THE PENSION FUND ACCOUNTS

The commutation and lump sum retirement benefits value is dependent on volumes of retirements and the specific commutation decisions of retirees. The value is expected to reduce year on year, even if commutation trends remain constant, as the amount of post 31 March 2008 service (which provides no automatic lump sum) forms an ever increasing component of the service on which pension benefits are based. The increase in benefits payable to Admitted Bodies in 2014-15 is due to schools converting to academies.

### 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2013-14 £000		2014-15 £000
15	Refunds to members leaving service	108
-	Payments for members joining state scheme	-
-	Group transfers	32,745
4,499	Individual transfers	3,992
<b>5,514</b>		<b>36,845</b>

Individual transfers are dependent on individuals having an approved pension arrangement to transfer their LGPS benefits to after leaving the Cambridgeshire Fund and also the relative merits of that destination arrangement in comparison with the LGPS. Group transfers in 2014-15 represent a payment in February 2015 in connection with the transfer of the administration of pensions for the Probation Service to the Greater Manchester Pension Fund.

### 11. MANAGEMENT EXPENSES

2013-14 £000		2014-15 £000
2,205	Administrative costs	2,292
4,569	Investment management expenses (see note 13)	7,198
447	Oversight and governance costs	408
<b>7,221</b>		<b>9,898</b>

### 12. INVESTMENT INCOME

2013-14 £000		2014-15 £000
24,275	Equity dividends	26,067
9,645	Pooled investments – unit trusts and other managed funds	7,978
161	Interest on cash deposits	102
2,423	Other (includes stock lending, class action and underwriting)	1,565
<b>36,504</b>		<b>35,712</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### 13. INVESTMENT EXPENSES

2013-14 £000		2014-15 £000
4,015	Management fees	6,688
554	Investment support costs	510
<b>4,569</b>		<b>7,198</b>

The increase in management fees between 2013-14 and 2014-15 is due to performance related fees. Performance related fees in 2014-15 were £4.1m (2013-14: £1.7m).

### 14. INVESTMENTS

2013-14 £000		2014-15 £000
	<b>Investment assets</b>	
745,800	Equities	843,577
955,205	Pooled investments	1,044,265
146,164	Pooled property investments	162,593
138,312	Private equity/infrastructure	165,436
	Derivatives	
199	• Futures	386
47,259	Cash deposits	48,731
3,462	Investment income due	3,276
2,090	Amounts receivable for sales	88
<b>2,038,491</b>	<b>Total investment assets</b>	<b>2,268,352</b>
	<b>Investment liabilities</b>	
	Derivative contracts:	
-	• Futures	-393
-107	• Forward currency contracts	-157
-5,204	Amounts payable for purchases	-44
<b>-5,311</b>	<b>Total investment liabilities</b>	<b>-594</b>
<b>2,033,180</b>	<b>Net investment assets</b>	<b>2,267,758</b>

## NOTES TO THE PENSION FUND ACCOUNTS

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

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

Transaction costs are included in the cost of purchases and in sale proceeds. They include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees.

Transaction costs incurred during the year totalled £709k (£670k in 2013-14). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.



## NOTES TO THE PENSION FUND ACCOUNTS

	Market value 1-Apr-13  £000	Purchases during the year and derivative payments  £000	Sales during the year and derivative receipts  £000	Change in market value during the year  £000	Market value 31-Mar-14  £000
<b>Equities</b>	703,467	223,658	-248,972	67,647	<b>745,800</b>
<b>Pooled investments</b>	869,170	149,107	-98,038	34,966	<b>955,205</b>
<b>Pooled property investments</b>	132,546	39,577	-34,221	8,262	<b>146,164</b>
<b>Private equity/infrastructure</b>	129,218	21,090	-17,623	5,627	<b>138,312</b>
	<b>1,834,401</b>	<b>433,432</b>	<b>-398,854</b>	<b>116,502</b>	<b>1,985,481</b>
<b>Derivative contracts:</b>					
• <b>Futures</b>	302	234	-427	90	<b>199</b>
• <b>Forward Currency Contracts</b>	714	1,289	-1,643	-467	<b>-107</b>
	<b>1,835,417</b>	<b>434,955</b>	<b>-400,924</b>	<b>116,125</b>	<b>1,985,573</b>
<b>Other investment balances:</b>	<b>44,069</b>	-	-	<b>-497</b>	<b>47,607</b>
• <b>Cash deposits</b>	42,647				<b>47,259</b>
• <b>Amount receivable for sales</b>	1,018				<b>2,090</b>
• <b>Investment income due</b>	2,955				<b>3,462</b>
• <b>Amounts payable for purchases of investments</b>	-2,551				<b>-5,204</b>
<b>Net investment assets</b>	<b>1,879,486</b>			<b>115,628</b>	<b>2,033,180</b>

Transaction costs are included in the cost of purchases and in sale proceeds. They include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees.

Transaction costs incurred during the year total £671k (£710k in 2012-13). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

## NOTES TO THE PENSION FUND ACCOUNTS

### 14(b). Analysis of Investments (excluding Derivative Contracts)

2013-14 £000		2014-15 £000
	<b>Equities</b>	
	<b>UK</b>	
335,542	Quoted	364,898
	<b>Overseas</b>	
410,258	Quoted	478,679
<b>745,800</b>		<b>843,577</b>
	<b>Pooled funds – additional analysis</b>	
	<b>UK</b>	
270,273	Fixed income	122,420
206,166	Equity	567,016
	Cash Fund	
	<b>Overseas</b>	
49,419	Fixed income	213,787
429,347	Equity	140,276
-	Cash Fund	766
<b>955,205</b>		<b>1,044,265</b>
146,164	Pooled property investments	162,593
138,312	Private equity/ infrastructure	165,436
<b>284,476</b>		<b>328,029</b>
<b>1,985,481</b>		<b>2,215,871</b>

### Analysis of derivatives

#### Objectives and policies for holding derivatives

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

#### Futures

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

#### Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund's investment managers enter into forward foreign currency contracts to take advantage of current exchange rates.

## NOTES TO THE PENSION FUND ACCOUNTS

### Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure £000	Market value 31-Mar-14 £000	Economic exposure £000	Market value 31-Mar-15 £000
<b>Assets</b>					
UK Equity	Less than 1 year	17,050	221	-	-
Overseas Equity	Less than 1 year	-	-	-	-
Overseas Cash	Less than 1 year	-	-	-18,077	386
Futures					
<b>Total assets</b>		<b>17,050</b>	<b>221</b>	<b>-18,077</b>	<b>386</b>
<b>Liabilities</b>					
UK Equity	Less than 1 year	-	-	-	-
Overseas Equity	Less than 1 year	-10,330	-22	-	-
Overseas Cash	Less than 1 year	-	-	-2	-393
Futures					
<b>Total Liabilities</b>		<b>-10,330</b>	<b>-22</b>	<b>-2</b>	<b>-393</b>
<b>Net Futures</b>		<b>6,720</b>	<b>199</b>	<b>-18,079</b>	<b>-7</b>

### Open forward currency contracts

Settlement	Currency bought	Base market value £000	Currency sold	Base market value £000	Asset value £000	Liability value £000
Up to one month	SEK	134,251	EUR	-14,711	-	-157
Open forward currency contracts at 31 March 2015					-	-157
Net forward currency contracts at 31 March 2015						-157
Prior year comparative						
Open forward currency contracts at 31 March 2014					5	-112
Net forward currency contracts at 31 March 2014						-107

## NOTES TO THE PENSION FUND ACCOUNTS

### Investments analysed by fund manager and direct holdings

Market value 31-Mar-14			Market value 31-Mar-15	
£000	%		£000	%
827,497	40.7	Schroders Investment Management	895,098	39.5
470,731	23.2	State Street Global Asset Management	535,387	23.6
234,932	11.6	Newton Investment Management	284,373	12.6
214,409	10.5	Amundi Asset Management	241,325	10.7
90,157	4.4	Skagen	91,480	4.0
49,418	2.4	M&G	51,829	2.3
45,668	2.2	Adams Street Partners	57,942	2.5
38,740	1.9	HarbourVest	45,122	2.0
17,498	0.9	UBS Infrastructure	18,011	0.8
16,302	0.8	Equitix	18,420	0.8
14,478	0.7	Cambridge and Counties Bank (direct holding)	17,289	0.7
5,626	0.3	Partners	11,154	0.5
7,724	0.4	Cash with custodian	328	0.0
<b>2,033,180</b>	<b>100.0</b>		<b>2,267,758</b>	<b>100.00</b>

All the above companies are registered in the United Kingdom.

### The following investments represent more than 5% of the net assets of the Scheme

Security	Market value 31-Mar-14 £000	% of total fund %	Market value 31-Mar-15 £000	% of total fund %
Schroders International Selection Fund – Strategic Bond	156,756	7.7	161,958	7.1
Schroders Unit Trusts Instl Sterling Broad Mkt Bond X ACC	113,517	5.6	122,420	5.4
MPF All World Equity Index Sub-Fund	269,174	13.3	320,365	14.1
MPF UK Equity Index Sub-Fund	201,556	9.9	215,022	9.5

### 14(c). Stock Lending

The Fund Strategy Statement sets the parameters for the Fund's stock-lending programme. At 31 March 2015, the value of securities on loan was £58.4m (31 March 2014: £126.7m) in exchange for which the Custodian held collateral at fair value of £64.6m (31 March 2014: £140.9m). Collateral consists of acceptable securities and government debt.

## 15. FINANCIAL INSTRUMENTS

### 15a. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The

## NOTES TO THE PENSION FUND ACCOUNTS

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.

Designated as fair value through profit and loss £000	31-Mar-14 Loans and receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through profit and loss £000	31-Mar-15 Loans and receivables £000	Financial liabilities at amortised cost £000
		<b>Financial assets:</b>			
745,800		Equities	843,577		
955,205		Pooled investments	1,044,265		
		Pooled property	162,593		
146,164		investments			
		Private equity/ infrastructure	165,436		
138,312		Derivative contracts	386		
199		Cash		48,731	
	47,259	Other investment balances	3,364		
3,462		Receivables		-	
	2,090				
<b>1,989,142</b>	<b>49,349</b>	<b>-</b>	<b>2,219,621</b>	<b>48,731</b>	<b>-</b>
		<b>Financial liabilities:</b>			
		-107 Derivative contracts			-550
		-5,204 Payables			-44
-	-	<b>-5,311</b>	-	-	<b>-594</b>
<b>1,989,142</b>	<b>49,349</b>	<b>-5,311</b>	<b>2,219,621</b>	<b>48,731</b>	<b>-594</b>

### 15b. Net Gains and Losses on Financial Instruments

31-Mar-14 Fair value £000		31-Mar-15 Fair value £000
	<b>Financial assets:</b>	
<b>116,502</b>	Fair value through profit and loss	<b>223,264</b>
<b>-497</b>	Loans and receivables	<b>-8,993</b>
	<b>Financial liabilities:</b>	
<b>-377</b>	Financial liabilities measured at amortised cost	<b>4,045</b>
<b>115,628</b>	<b>Total</b>	<b>218,316</b>

### 15c. Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

## NOTES TO THE PENSION FUND ACCOUNTS

31-Mar-14		31-Mar-15	
Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
		<b>Financial assets:</b>	
1,989,142	1,989,142	Fair value through profit and loss	2,219,621
49,349	49,349	Loans and receivables	48,731
<b>2,038,491</b>	<b>2,038,491</b>	<b>Total financial assets</b>	<b>2,268,352</b>
		<b>Financial liabilities:</b>	
-5,311	-5,311	Financial liabilities at amortised cost	-594
<b>-5,311</b>	<b>-5,311</b>	<b>Total financial liabilities</b>	<b>-594</b>

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

### 15d. Valuation Of Financial Instruments Carried At Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

#### Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

#### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

#### Level 3

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

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested.

## NOTES TO THE PENSION FUND ACCOUNTS

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	1,140,664	761,572	317,385	2,219,621
Loans and receivables	47,232	1,499	-	48,731
<b>Total financial assets</b>	<b>1,187,896</b>	<b>763,071</b>	<b>317,385</b>	<b>2,268,352</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	-594	-	-	-594
<b>Total financial liabilities</b>	<b>-594</b>	<b>-</b>	<b>-</b>	<b>-594</b>
<b>Net financial assets</b>	<b>1,187,302</b>	<b>763,071</b>	<b>317,385</b>	<b>2,267,758</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	1,727,026	8,791	253,325	1,989,142
Loans and receivables	49,349	-	-	49,349
<b>Total financial assets</b>	<b>1,776,375</b>	<b>8,791</b>	<b>253,325</b>	<b>2,038,491</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	-5,311	-	-	-5,311
<b>Total financial liabilities</b>	<b>-5,311</b>	<b>-</b>	<b>-</b>	<b>5,311</b>
<b>Net financial assets</b>	<b>1,771,064</b>	<b>8,791</b>	<b>253,325</b>	<b>2,033,180</b>

### 16. 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



## NOTES TO THE PENSION FUND ACCOUNTS

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minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio.

The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

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

### a) Market risk

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

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

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

The Fund manages these risks in two ways:

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

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

### b) 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

## NOTES TO THE PENSION FUND ACCOUNTS

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.

### c) Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Funds' asset allocations.

We provide an example below;

Asset Type	Potential Market Movement +/- (%p.a.)
Equities	9.7
Pooled Bonds	1.1
Property	2.8
Alternatives	3.8
Cash and Other investment balances	0.0

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2015 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
Equities	1,550,869	9.7	1,701,303	1,400,435
Pooled Bonds	336,207	1.1	339,905	332,509
Property	162,593	2.8	167,146	158,040
Alternatives	165,436	3.8	171,723	159,149
Cash	49,497	0.0	49,497	49,497
Other investment balances	3,156	0.0	3,156	3,156
<b>Total Assets</b>	<b>2,267,758</b>	<b>6.6</b>	<b>2,417,430</b>	<b>2,118,086</b>

## NOTES TO THE PENSION FUND ACCOUNTS

Asset Type	Value as at 31 March 2014 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
Equities	1,381,313	12.5	1,553,977	1,208,649
Pooled Bonds	319,692	3.5	330,721	308,663
Property	146,164	2.3	149,482	142,846
Alternatives	138,312	2.9	142,378	134,246
Cash	47,259	0.0	47,268	47,249
Other investment balances	440	0.0	440	440
<b>Total Assets</b>	<b>2,033,180</b>	<b>8.3</b>	<b>2,202,710</b>	<b>1,863,649</b>

### Interest rate risk

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

The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31-Mar-14 £000	Asset Type	As at 31-Mar-15 £000
47,259	Cash and cash equivalents	48,731
8,299	Cash balances	4,033
49,419	Fixed interest securities	336,207
<b>104,977</b>	<b>Total</b>	<b>388,971</b>

### 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:

## NOTES TO THE PENSION FUND ACCOUNTS

Asset Type	Carrying amount as at 31- Mar-15 £000	Change in year in the net assets available to pay benefits	
		+100 BPS £000	-100 BPS £000
Cash and cash equivalents	48,731	487	-487
Cash balances	4,033	40	-40
Fixed interest securities	336,207	3,362	-3,362
<b>Total change in assets available</b>	<b>388,971</b>	<b>3,889</b>	<b>-3,889</b>

Asset Type	Carrying amount as at 31- Mar-14 £000	Change in year in the net assets available to pay benefits	
		+100 BPS £000	-100 BPS £000
Cash and cash equivalents	47,259	473	-473
Cash balances	8,299	83	-83
Fixed interest securities	49,419	494	-494
<b>Total change in assets available</b>	<b>104,977</b>	<b>1,050</b>	<b>-1,050</b>

### Currency risk

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

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations. The following table summarises the Fund's currency exposure as at 31 March 2015 and as at the previous year end:

Currency exposure – asset type	Asset Value at 31-Mar-14 £000	Asset Value at 31-Mar-15 £000
Overseas Equities	839,605	618,954
Overseas Fixed Income	49,419	213,787
Overseas Cash Fund	-	766
<b>Total overseas assets</b>	<b>889,024</b>	<b>833,507</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### Currency risk – sensitivity analysis

We consider the following approach to determining potential currency risk.

We determine the potential volatility of the aggregate currency exposure within the Fund at the year end and apply this single outcome to all non-UK assets. In order to calculate this, we need to create a currency basket based on a fund's currency mix. We do this by multiplying the weight of each currency by the change in its exchange rate (relative to GBP) and sum to create the aggregate currency change of the 'basket'. The aggregate currency change for March 2015 was 5.4% (7.7% for March 2014).

Repeating this for all of the months in our measurement year allows us to measure the observed volatility of this unique currency basket's changes relative to GBP. The 5.4% currency change is applied to the Fund's overseas assets as follows:

Asset Type	Asset Value @ 31-Mar-15 £000	Change to net assets available to pay benefits	
		+5.4%	-5.4%
Overseas Equities	618,954	652,378	585,530
Overseas Fixed Income	213,787	225,331	202,243
Overseas Cash Fund	766	807	725
<b>Total Overseas Assets</b>	<b>833,507</b>	<b>878,516</b>	<b>788,498</b>

Asset Type	Asset Value @ 31-Mar-14 £000	Change to net assets available to pay benefits	
		+7.7%	-7.7%
Overseas Equities	839,605	903,953	775,257
Overseas Fixed Income	49,419	51,124	47,714
Overseas Cash Fund	-	-	-
<b>Total Overseas Assets</b>	<b>889,024</b>	<b>955,077</b>	<b>822,971</b>

### 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.

## NOTES TO THE PENSION FUND ACCOUNTS

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

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2015 was £4.03m (31 March 2014: £8.3m). This was held with the following institution:-

	Rating	Balances as at 31 March 2014 £000	Balances as at 31 March 2015 £000
Bank deposit account: Barclays Bank	A	8,299	4,033
<b>Total</b>		<b>8,299</b>	<b>4,033</b>

### 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 Council therefore takes steps to ensure that the Pension Fund 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 Council has immediate access to its Pension Fund cash holdings.

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 2015 the value of illiquid assets was £328.0m, which represented 14.5% of the total Fund assets (31 March 2014: £284.5m, which represented 14.0% of the total Fund assets). Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2015 are due within one year.

## NOTES TO THE PENSION FUND ACCOUNTS

### 17. FUNDING ARRANGEMENTS

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

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a maximum period of 12 years can be granted. 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 90% of the 100% funding target, a deficit recovery plan has been put in place requiring additional contributions from the employer to meet the shortfall.

At the 2013 actuarial valuation, the Fund was assessed as 72.4% funded (72.9% at the March 2010 valuation). This corresponded to a deficit of £728m (2010 valuation: £555m) at that time. The common contribution rate (i.e. the rate which all employers in the fund pay) is:

Year	Employers' contribution rate
2013/14	26.1%
2014/15	30.5%
2015/16	30.5%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the Fund's website.



## NOTES TO THE PENSION FUND ACCOUNTS

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

### Financial assumptions

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

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

### Mortality assumptions

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

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2010 valuation – baseline	21.2	23.8	21.2	23.8
2010 valuation – improvements	23.5	25.9	22.4	25.0
2013 valuation – baseline	20.1	22.8	20.3	22.4
2013 valuation – improvements	24.4	26.9	22.5	24.5

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

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

### Other demographic valuation assumptions:

#### a) Retirements in ill health

Allowance has been made for ill-health retirements before Normal Pension Age.

#### b) Withdrawals

Allowance has been made for withdrawals from service.

#### c) Family details

A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.

## NOTES TO THE PENSION FUND ACCOUNTS

### d) Commutation

Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 25% of HMRC limits for service to 31 March 2008 and 63% of HMRC limits for service from 1 April 2008.

### 18. 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 17). The actuary has also used valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31 March 2015 was £3.791 bn (31 March 2014: £3.120bn.) The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2013 triennial funding valuation (see note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

#### Assumptions used

	31-Mar-15 % p.a.	31-Mar-14 % p.a.
Inflation/pension increase rate assumption	2.4	2.8
Salary increase rate	4.3	4.6
Discount rate	3.2	4.3

### 19. CURRENT ASSETS

31-Mar-14 £000		31-Mar-15 £000
	<b>Debtors:</b>	
2,114	Contributions due – members	1,601
5,921	Contributions due – employers	4,295
146	Transfer values receivable (joiners)	260
5,892	Sundry receivables	5,866
8,129	Cash balances	4,033
<b>22,202</b>		<b>16,055</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### 20. NON CURRENT ASSETS

With effect from 1 April 2005, 71 employees of the Cambridgeshire Magistrates' Courts transferred out of the Cambridgeshire Fund as part of a national transfer of the Magistrates' Courts out of Local Government schemes. However, the Cambridgeshire Fund has retained the liability for the Magistrates' pensioners and deferred pensioners. An assessment of the transfer by the Scheme's actuary, which was agreed by the Government Actuary's Department in March 2011, has resulted in an annual amount of £0.632m to be paid by the Ministry of Justice (former Department for Constitutional Affairs) to the Fund as the valuation of the transfer out was less than the retained liability. Annual Payments commenced in April 2011 for ten years. At 31 March 2015, a total of £2,528,000 was still due from the Ministry of Justice, with £632,000 being shown in Current Assets and £1,896,000 being due after 31 March 2016 being shown in Non Current Assets.

### 21. CURRENT LIABILITIES

31-Mar-14 £000		31-Mar-15 £000
885	Sundry payables	1,080
389	Transfer values payable (leavers)	450
620	Benefits payable	461
<b>1,894</b>		<b>1,991</b>

### 22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-14 £000		Market value 31-Mar-15 £000
578	Equitable Life	539
6,984	Prudential	7,394
<b>7,562</b>		<b>7,933</b>

Total contributions of £5k were paid directly to Equitable Life during the year (2013-14: £2k) and total contributions of £1,109k were paid directly to Prudential during the year (2013-14: £1,170k). The value of the Equitable Life fund decreased during the year due to the payment of retirement benefits exceeding receipts from contributions and investment income.

### 23. 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.

## NOTES TO THE PENSION FUND ACCOUNTS

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The Council incurred costs of £2.4m (2013-14: £2.7m) 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 £34.5m to the Fund in 2014-15 (2013-14: £23.3m).

### Cambridge and Counties Bank

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

### Governance

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

- Councillor Michael Shellens
- Councillor Seaton
- Matthew Pink
- John Walker

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

## 24. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2015 totalled £119.5m (31 March 2014: £93.9m).

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.

## 25. CONTINGENT ASSETS

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

## NOTES TO THE PENSION FUND ACCOUNTS

### 26. IMPAIRMENT LOSSES

#### Impairment for bad and doubtful debts

During 2014-15 the Fund did not suffer any impairment loss (2013-14: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

### 27. ORGANISATIONS PARTICIPATING IN THE PENSION FUND AT 31 MARCH 2015

<b>Scheduled Bodies</b>
Abbey College
Active Learning Trust
Alderman Jacobs School Academy Trust
All Saints Inter Church Academy
Arthur Mellows Village College
Bassingbourn Village College
Bishop Creighton Academy
Bottisham Village College
Bourn Church of England Primary
Buckden Church of England Primary
Burrowmoor Primary Academy
Bury CE Primary School
Cambourne Village Academy
Cambridge City Council
Cambridge Meridian Academies Trust
Cambridge Regional College
Cambridgeshire County Council
Cambridgeshire Fire Authority
Chesterton Community College Academy
Chesterton Primary Academy
Chief Constable
City of Peterborough Academy
City of Peterborough Academy Special School
Comberton Village College
Combeton Academy Trust (HQ)
Cottenham Village College
Cromwell Academy
Cromwell Community College
Crosshall Infant School Academy Trust
Crosshall Junior School Ltd

Dogsthorpe Academy
East Cambridgeshire District Council
Ely College
Ernulf Academy
Fenland District Council
Fulbridge Primary School
Godmanchester CP School Academy
Great Staughton Primary Academy
Greater Peterborough UTC
Hampton College
Hatton Park School
Highlees Primary Academy
Hills Road 6th Form College
Hinchingbrooke School
Histon and Impington Infants Academy
Histon and Impington Junior Academy
Huntingdonshire College
Huntingdonshire District Council
Impington Village College
Isle of Ely Primary School
Kennet Community School
Kimbolton Primary Academy
Kingsfield Primary School
Leverington Primary Academy
Linton Village College
Long Road 6th Form College
Longsands Academy
Meadow Primary Academy
Melbourn Village College
Mepal & Witcham CofE Primary
Middlefield CP School
Murrow Primary School

## NOTES TO THE PENSION FUND ACCOUNTS

Neale Wade Academy
Nene Infants Academy
Nene Park Academy
New Road Primary School
Newark Hill Primary Academy
North Cambridge Academy
Ormiston Bushfield Academy
Ormiston Meadows Academy
Park Lane Primary and Nursey School
Parkside Federation
Peckover Primary Academy
Peterborough City Council
Peterborough Regional College
Police & Crime Commissioner
Ramnoth Primary Academy
Round House CP School
Sawston Village College
Sawtry Academy
Shade Primary Academy
Sir Harry Smith Community College
Soham Village College
South Cambridgeshire District Council
St Andrew's CofE Primary School
St Bedes Inter Church School
St Ivo School
St John's Academy
St Mary's CofE Junior School
St Peter's CofE Junior School
St Peter's School Huntingdon
Stanground Academy
Stanground St John's Academy
Swavesey Village College
The Centre School
The Kings Academy
Thomas Clarkson CC Academy
Thomas Deacon Academy
UTC Cambridge
Voyager Academy
Welland Primary School

West Town Primary Academy
William de Yaxley CofE Junior School
William Law Cof E Primary
Winhill Primary Academy
Witchford Village College
<b>Designated Bodies</b>
Bretton Parish Council
Burnt Fen Internal Drainage Board
Burwell Parish Council
Cambourne Parish Council
Chatteris Town Council
Cheveley Parish Council
City Of Ely Council
Eye Parish Council
Farcet Parish Council
Feldale Internal Drainage Board
Gamlingay Parish Council
Haddenham Level Drainage Commissioners
Haddenham Parish Council
Histon and Impington Parish Council
Holmewood & District Internal Drainage Board
Huntingdon Town Council
Kimbolton & Stoneley Parish Council
Linton Parish Council
Little Downham Parish Council
Little Paxton Parish Council
Littleport & Downham Internal Drainage Board
Middle Fen & Mere Internal Drainage Board
Middle Level Commissioners
Newborough Parish Council
North Level Commissioners IDB
Old West Internal Drainage Board
Orton Waterville Parish Council
Sawston Parish Council
Soham Town Council
St Ives Town Council

## NOTES TO THE PENSION FUND ACCOUNTS

St Neots Town Council
Sutton Parish Council
Swaffham Internal Drainage Board
Swavesey Parish Council
Thorney Parish Council
Tydd St Giles Parish Council
Waterbeach Level Internal Drainage Board
Waterbeach Parish Council
Whittlesey & District Internal Drainage Board
Whittlesey Town Council
Wimblington Parish Council
Wisbech Town Council
Witcham Parish Council
Yaxley Parish Council
<b>Admission Bodies</b>
ABM Catering Ltd (Jeavons Primary)
ABM Catering Ltd (Morley Memorial Primary)
Action For Children
ADEC
Advanced Cleaning Services (Watheralls)
Advanced Cleaning Services (Burwell & Netherall)
Aspens Services (Ltd) Fen Drayton Primary)
Aspens Services Ltd (Mayfield School)
Aspens Services Ltd ( Swavesey Primary)
Avocet Cleaning Services Ltd
Balfour Beatty Plc
Cambridge Primary Education Trust
Cambridgeshire Community Services Trust
Cambridgeshire & Peterborough CCG
Care Quality Commission
Cater Link Limited
Circle Anglia Limited
Collections Trust
Compass Contract Services
Conservators of River Cam

Coram Adoption Services
Cross Keys Homes Limited
Cucina Restaurants
Dell (Neale Wade)
Dell (Cromwell)
Dell (Harry Smith)
Drinksense
East of England Local Government Association
Easy Clean (Fenstanton)
Easy Clean (St Peters)
Ecovert FM Limited
Edmund Trust (Mencap)
Elior UK
Enterprise Management
Excelcare
Etheldred House
Friends Therapeutic
Greenwich Leisure
Home Close Limited
Homerton College
Inclusion
Indigo Spa Management Ltd
Innovate Services Limited
Kelsey Kerridge Sports Hall
Kimbolton School
Luminus Group Limited
Lunchtime UK Ltd
M & B Caterers Limited
Mears Group PLC
Mears Limited
Mitie PFI Limited
Oxford Archaeology (East)
Pabulum Limited (Swavesey)
Pabulum Limited (Cottenham)
Peterborough Primary Care Trust
Radis Community Care
Roddens Housing Association
Sanctuary Housing
Serco Limited (Peterborough)



## NOTES TO THE PENSION FUND ACCOUNTS

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Serco Limited (IT
Skanska
Spurgeons
Stephen Perse Foundation
Taylor Shaw Limited

TSG Building Services
Thorokleen Trading Limited
Vivacity Culture & Leisure
Wisbech & Fenland Museum
Wisbech Grammar School

## GLOSSARY

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### **ACCRUAL**

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

### **ACCUMULATED ABSENCES ACCOUNT**

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

### **ACTUARIAL BASIS**

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

### **ACTUARY**

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

### **ADMITTED BODIES**

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

### **ALL SHARE INDEX**

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

### **AMORTISATION**

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

### **AT BEST**

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

### **AUTHORISED UNIT TRUSTS**

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

### **AVAILABLE FOR SALE FINANCIAL ASSETS**

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

### **BALANCE SHEET**

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

### **BALANCES**

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

## GLOSSARY

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### **BARGAIN**

Another name for a trade or transaction of the Stock Exchange.

### **BENEFICIAL OWNER**

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

### **BID PRICE**

The price at which securities are purchased by market makers.

### **BOND**

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

### **BUDGET**

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

### **BUILDING SCHOOLS FOR THE FUTURE (BSF)**

A national programme to bring all secondary schools up to modern standards over the next 15-20 years.

### **CAPITAL ADJUSTMENT ACCOUNT**

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

### **CAPITAL FINANCING REQUIREMENT**

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

### **CAPITAL GRANTS**

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

### **CAPITAL SPENDING**

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

### **CAPITAL RECEIPTS**

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

### **CARRY FORWARDS**

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

## GLOSSARY

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### **CASH EQUIVALENTS**

Assets which are readily convertible into cash.

### **CLEAN PRICE**

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

### **COMMUTATION**

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

### **CONTINGENT ASSETS AND LIABILITIES**

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

### **CONTRACT NOTE**

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

### **CONVERTIBLE**

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

### **CORPORATE AND DEMOCRATIC CORE**

Income and expenditure relating to the corporate management and democratic processes of the Council.

### **COUPON**

The regular payment made on bonds.

### **CREDITS (PFI)**

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

### **CURRENT ASSETS**

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

### **CURRENT LIABILITIES**

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

### **DEBENTURE**

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

## GLOSSARY

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### DEFERRED PENSION BENEFIT

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

### DEFICIT

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

### DEPRECIATION

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

### DERIVATIVE

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

### DISTRIBUTION DATES

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

### DIVIDEND

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

### EARMARKED RESERVE

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

### EARNINGS PER SHARE (EPS)

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

### EQUITIES

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

### EVENTS AFTER THE BALANCE SHEET DATE

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

### FINANCIAL INSTRUMENTS

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

## GLOSSARY

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### FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

### FINANCIAL SERVICES AUTHORITY (FSA)

The lead UK regulator. A designated agency which is not a government department.

### FIXED INTEREST CORPORATE BOND

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

### FORCE MAJEURE

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

### FTSE-100 INDEX

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

### FUTURES

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

### GEARING

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

### GENERAL FUND

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

### GILT

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

### GOVERNMENT GRANTS

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

### HEDGE

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

## GLOSSARY

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### **HEDGE FUND**

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

### **HERITAGE ASSETS**

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

### **IMPAIRMENT**

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

### **IMRO**

Investment Management Regulatory Organisation. Fund Manager Regulator.

### **INCOME**

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

### **INDEX LINKED**

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

### **INTEREST YIELD**

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

### **INFRASTRUCTURE ASSETS**

Assets such as roads and bridges.

### **INTANGIBLE ASSETS**

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

### **INTERNAL CONTROLS**

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

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

### **INVENTORIES**

Goods bought but have not been used.



## GLOSSARY

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### **LGSS**

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

### **LOAN STOCK**

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

### **LONG-TERM ASSETS**

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

### **MARKET CAPITALISATION**

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

### **MEDIUMS**

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

### **MINIMUM REVENUE PROVISION**

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

### **NET BOOK VALUE**

The depreciated value of an asset.

### **NOMINEE**

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

### **NON-DISTRIBUTED COSTS**

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

### **OFFER PRICE**

The price at which market makers will sell stock.

### **ORDINARY SHARES**

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

### **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.

## GLOSSARY

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### **PENSIONS STRAIN**

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

### **POOLED BUDGET**

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

### **PRECEPT**

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

### **PRIVATE FINANCE INITIATIVE (PFI)**

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

### **PROPERTY, PLANT AND EQUIPMENT**

A non-current asset or long-term asset item which cannot easily be converted into cash.

### **PROVISION**

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

### **PRUDENTIAL BORROWING**

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

### **PUBLIC WORKS LOAN BOARD**

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

### **RECEIVABLES**

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

### **RELATED PARTY**

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

### **RESERVES**

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

## GLOSSARY

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### REVALUATION RESERVE

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

### REVENUE CONTRIBUTIONS

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

### REVENUE EXPENDITURE

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

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset.

### REVENUE SUPPORT GRANT (RSG)

The general grant paid by Central Government to aid Local Authority spending generally.

### RIGHTS ISSUE

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

### SCHEDULED BODIES

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

### STOCK

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

### SURPLUS

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

### TRANSFER VALUES

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

### 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.

## GLOSSARY

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### TRUST

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

### TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

### UNDERWRITER

A firm which agrees to underwrite a new issue, for a fee, thereby guaranteeing the securities will be sold.

### UNIT TRUST

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

### WARRANTS

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

# ANNUAL GOVERNANCE STATEMENT

## SCOPE OF RESPONSIBILITY

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

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

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

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

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The Governance Framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Statement of Accounts.

## THE GOVERNANCE FRAMEWORK

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

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities. These set out and communicate the Council's vision of its purpose and intended outcomes for citizens and service users;

## ANNUAL GOVERNANCE STATEMENT

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- An established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;
- The measurement of performance in achieving objectives through the mechanisms of the Council's performance management system;
- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication;
- Embedded Codes of Conduct which define the standards of behaviour for members and employees;
- Setting out within the Constitution, Schemes of Delegation to members and officers, Financial Procedure Rules and other supporting procedures of how decisions are taken and the processes and controls required to manage risk; and having in place arrangements to ensure these are reviewed regularly;
- An Audit and Accounts Committee which is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
- Statutory officers to support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
- Embedded arrangements for Whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;
- A Listening and Involving Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them;
- The County Council at its meeting of 21st May 2013 resolved to move from a Cabinet style of corporate governance to a committee based system of governance as a reflection that no one political party has a majority on the Council. The committee system of governance was developed following detailed discussions with members and key officers and through external scrutiny and was introduced in May 2014. The Council is confident that the new governance arrangements provide the Council with the high standards of Governance expected of a local authority. CIPFA/Solace guidance on governance recommends effective scrutiny of the decisions made by the Council. Under the committee system of governance, a separate scrutiny function is no longer necessary as decisions are being made by cross party committees.

# ANNUAL GOVERNANCE STATEMENT

## REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control. The review of effectiveness is informed by assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk Management's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with all members, the Audit and Accounts Committee and the Corporate Leadership Team, as appropriate. The Governance Framework links closely to the Assurance Framework, which brings together the work of both internal review mechanisms and external review agencies, and is reviewed bi-annually by the Audit and Accounts Committee.

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations;
- The annual report and opinion on the Internal Control environment prepared by the Head of Internal Audit. This report draws upon the outcome of audit reviews undertaken throughout 2014/15 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls;
- The completion of Self-Assurance Statements by directors;
- The consideration of relevant outputs from member and officer led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

The key aspects of the review of effectiveness are:

### Council Planning

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

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

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



# ANNUAL GOVERNANCE STATEMENT

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## Performance Management

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

## Executive Decision Making and Scrutiny

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

## The Audit and Accounts Committee

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

The Audit and Accounts Committee met regularly during 2014/15, considering reports, including the annual Internal Audit Report, from the Head of Internal Audit, the Council's Senior Finance Officers and the External Auditor. Additionally the Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year.

## Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, and the Executive Director of Children, Families and Adult Services were effectively fulfilled during 2014-15 and up to the date of this report.

## Management

Executive Directors have provided assurance through Self-Assurance Statements that:

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

## Internal Audit

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

# ANNUAL GOVERNANCE STATEMENT

The Head of Internal Audit is due to provide his annual report to the Audit Committee on 9<sup>th</sup> June 2015. This report will outline the key findings of the audit work undertaken during 2014/15, including areas of significant weakness in the internal control environment

An assurance scoring mechanism, based on five levels of assurance, is used to reflect the effectiveness of the Council's internal control environment. The table below details the five levels of assurance.

<b>Assurance Level</b>	<b>Assurance Criteria</b>
Full	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate	Whilst there is basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leaves some risks not addressed and there is evidence of non-compliance with some controls.
Limited	The system of control is weak and there is evidence of non-compliance with the controls that do exist which may result in the relevant risks not being managed.
None	There is no system of internal control. Risks are not being managed.

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2014/15 is between moderate and substantial. The detail to support this assessment will be provided in the Annual Internal Audit Report which will be presented to the Audit and Accounts Committee in June 2015.

## Review of Internal Audit

The Public Sector Internal Audit Standard was introduced from April 2013. A self assessment of Internal Audit's compliance with this new Standard is due to be presented to the Audit and Accounts Committee in June 2015.

## External Audit

PwC is currently the Council's appointed External Auditor. As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources. In its Annual Audit letter for 2013/14 PwC stated that the Council had proper arrangements for securing economy, effectiveness and efficiency in its use of resources.

## Risk Management

The Council managed its risks during 2014/15 in accordance with the approved Risk Management Policy and the Risk Management Procedures. The Strategic Management Team

## ANNUAL GOVERNANCE STATEMENT

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and Directorate Management Teams formally considered risk on a quarterly basis. Quarterly risk management reports were submitted to both the General Purposes Committee and the Audit and Accounts Committee.

The Internal Audit Plan for 2015/16 presented to the Audit and Accounts Committee in March 2015 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 2015/16.

### SIGNIFICANT GOVERNANCE ISSUES

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

Cambridgeshire continues to face very significant future challenges associated with a significant reduction in Central Government funding, particularly from 2016/17 onwards. The Council's 5 year Business Plan is reflective of these pressures and will be subject to annual review to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met whilst continuing to provide effective services to the people of Cambridgeshire

The Annual Governance Statement process allows the Council to identify any significant actions it is proposing to undertake to enhance its corporate governance arrangements. However there are no such actions requiring specific mention in the 2014/15 Annual Governance Statement.

# ANNUAL GOVERNANCE STATEMENT

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## CHAIRMAN OF GENERAL PURPOSES COMMITTEE AND CHIEF EXECUTIVE STATEMENT

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

Councillor Steve Count  
Chairman of the General Purposes Committee

Mark Lloyd  
Chief Executive

Councillor Michael Shellens  
Chairman of the Audit and Accounts Committee

June 2015