

Statement of Accounts



For the year
ending 31
March 2016

Cambridge City Council

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Cambridge City Council
Statement of Accounts
2015/16

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The Statement of Accounts, set out on pages 1 to 103, contain a series of statements, summarising the financial implications to the Council of delivering services in the period from 1 April 2015 to 31 March 2016. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are presented.

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (The Code). The code is based on International Financial Reporting Standards (IFRS) and sets out the format and content of the key financial statements and accompanying notes in this publication.

The key financial statements are as follows:

- ◆ Movement in Reserves Statement
- ◆ Comprehensive Income and Expenditure Statement
- ◆ Balance Sheet
- ◆ Cash Flow Statement
- ◆ Housing Revenue Account
- ◆ Collection Fund

These accounts are supported by a comprehensive set of notes together with a statement of the accounting policies of the Council and a glossary of terms. An index to the main notes to the accounts is provided on page 10.

The accounts aim to provide information so that members of the public, including electors and residents of Cambridge, Council Members, partners, stakeholders and other interested parties can:

- ◆ Understand the overarching financial position of the Council
- ◆ Have confidence that public money has been accounted for in an appropriate manner
- ◆ Be assured that the financial position of the Council is sound and secure

Review of 2015/16

The City Council's priority strategic objectives for 2015/16 were set out in a series of Portfolio Plans. This section reports progress against those plans and other performance data, and gives a sense of how the funding reported in the accounts was used to achieve Council objectives. During 2015/16 we achieved the following under each portfolio:

City Centre and Public Places

- ◆ Kept streets and open spaces in Cambridge clean and tidy. 97% of relevant land and highways was assessed as being at an acceptable level in 2015/16, which was slightly higher than the target of 96% for the year. We dealt with 1,238 incidents of fly-tipping and collected waste from 150 dog fouling bins across the city. We also removed 27 abandoned cars and 28 untaxed vehicles from the 356 cases we investigated and responded to 610 reports of graffiti. We maintained over 1 million square metres of grass on parks and open spaces.
- ◆ Began an improvement programme in the buildings and grounds of our bereavement sites to improve the services we can offer. We also put in place a more commercial approach for burials, cremations and commemorations and achieved efficiency savings of £105,000.

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- ◆ Launched the independent destination management organisation, *Visit Cambridge and Beyond*, in February 2016 to deliver tourism services in the Cambridge area. Over the course of the year, the service saw income growth of 8%.
- ◆ Initiated a review of our Streets and Open Spaces service, aiming to identify operational efficiencies and deliver budget savings. The review was originally envisaged to be completed by the end of 2015/16, but is now scheduled for completion in 2016/17.
- ◆ Published a public tree strategy setting out the Council's policies for the management of trees in the city. Local people were able to participate in an extensive consultation exercise, so that effective arrangements for the care of trees could be put in place.
- ◆ Began a review of the Council's moorings policy, including service provision and associated fees and charges, taking into account the views of the public, boat occupants and others. The review was due to be completed by the end of 2015/16, but its findings will now be reported to committee in October 2016.
- ◆ Ran a pilot Cambridge civic pride campaign. This increased the involvement of community groups, "friends" groups and individual volunteers in looking after their local environment. Initiatives included community clean-ups, community litter-picks and an anti-dog fouling campaign. A total of 153 volunteer hours have been secured so far, which will form the baseline for activity in future years.
- ◆ Strengthened our relationship with Parks' Friends Groups, setting out how we will work together in a mutually beneficial and constructive way, to help improve parks and open spaces in the city.
- ◆ Put in place a city centre accessibility statement and supporting action plan, following a review, to help people with disabilities to navigate and access services in the city centre.

Housing

- ◆ 137 new affordable homes were completed on strategic growth sites against a projected figure of 99; along with 62 new social homes completed through the City Council's own development programme (against an original projection of 95).
- ◆ Prepared, with partners, a successful business case for a Greater Cambridge Housing Development Agency. This will be under the auspices of the Greater Cambridge City Deal and will help deliver new affordable housing in the area.
- ◆ Ensured that 100% of affordable new housing from registered providers was built to level 4 of the code for sustainable homes standard.
- ◆ Worked with health and social care partners to support vulnerable people in sustaining independent lifestyles and housing in community settings. This included increasing the number of intermediate care beds at Ditchburn Place and the development of a hospital discharge protocol, joint funding of a new county-wide Handyperson service to help reduce falls in the home and membership of a Falls Prevention Steering Group. We also supported the local Mental Health Crisis Concordat Declaration.
- ◆ Continued to act as the landlord for 7,118 council houses in Cambridge. We collected 98.45% of rents due from these properties during 2015/16, against a target of 98.0% for the year. An average of 86% of tenants were satisfied with estate services across the four quarters of

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2015/16, against a target of 90% for the year. 99.8% of responsive repairs were completed with the target time, against a target of 99% for 2015/16.

- ◆ Identified £1.5 million of savings in the Council's housing landlord service following a fundamental review. This review followed the implementation of national legislation which led to a 4% reduction in rental income.
- ◆ Agreed the Cambridge Landlord Accreditation and Safety Scheme to improve standards of private rented property in the city and begun to implement its commitments, which included introductory landlord training and Legionnaires awareness courses, the development of a draft Cambridge Property Standard and the appointment of an officer to reduce the number of empty properties.
- ◆ Investigated over 250 cases relating to housing disrepair, poor management and tenancy (such as illegal eviction and harassment). Most of these cases were resolved without the need to resort to formal action but where required we undertook effective enforcement action. A total of 30 statutory notices were served and we successfully undertook prosecutions for 5 properties.
- ◆ Focussed our housing advice service on reducing homelessness. This helped prevent nearly 800 homelessness cases by offering early advice about alternative housing options. A Social Lettings Agency (Town Hall Lettings) was also established to provide routes to appropriate housing.
- ◆ Contained rough sleeping increases to 12.6% in the city against a backdrop of 31% nationally. The number of individuals sleeping rough in Cambridge rose from a baseline target of 135 to 152 in 2015-16.
- ◆ Ensured that the average number of households in bed and breakfast at any one time was at 3.25, below our target of 5.
- ◆ Reduced homelessness decision times from an average of 45 working days in 2014-15 to 26 working days in 2015-16, with the percentage of homelessness decisions made within target (33 working days) rising to 74% from 56% in 2014-15.
- ◆ Ensured that no City Homes tenant was evicted solely because of the removal of the "spare room subsidy".

Planning Policy and Transport

- ◆ Carried out work on the Local Plans to support their examination in public and further work identified by the Inspector and consulted publicly on associated Modifications to Plan.
- ◆ Articulated the interests of Cambridge in strategic planning work at sub-regional level and in the ongoing working arrangements with the Local Enterprise Partnership.
- ◆ Continued to work jointly with the County Council and South Cambridgeshire District Council on activities supporting the implementation of Greater Cambridge City Deal projects. Progress has been made with Phase 1 City Deal schemes and the first City Deal planning application for the Chisholm Trail is expected to be submitted by the end of May 2016.
- ◆ Dealt with around 1,600 planning applications. Planning application performance generally remained above government targets and a new discharge of conditions process was introduced to further improve performance. 97% of major planning applications were determined within 13

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weeks, compared to a target of 65% for 2015/16. 74% of minor applications were determined with 13 weeks, which was above the target of 65% for the year.

- ◆ The North West Cambridge development is a finalist for an RTPI Excellence award and a range of other projects have been nominated for design awards.
- ◆ Planning enforcement performance has been variable during a period of staff turnover.
- ◆ Put in place further 20 mph zones in the East area plus Victoria Road to help improve road safety for all users and facilitated increased use of alternative modes of travel. The 2015 Cambridgeshire County Council Traffic monitoring report showed a 4.7% increase in cycling in Cambridge from 2014.
- ◆ Established a business case for a preferred option for the redevelopment of the Park Street car park site. This was approved in January 2016 and will see an increase in the number of cycle parking spaces available in the centre of Cambridge. 28 additional spaces were put in place in Guildhall Street and the racks in Sidney Street re-orientated to accommodate more cycles.
- ◆ Implemented a new shared Building Control Service to the agreed timetable and continued work towards a shared planning service.
- ◆ Continued to manage car parks in the city. There were 2,438,741 visits to Council car parks in 2015/16, which exceeded the target of 2,427,196 for the year. We started to offer season tickets at our multi-storey car parks, offering low-emission vehicles a discount.

Communities, Arts and Recreation

- ◆ Helped give debt and other financial advice to those who need it and increased access to affordable loans, bank accounts and other financial products for those who currently have difficulty accessing them. This has included putting in place an 'AdviceHub' in our Customer Services reception area to provide a 'one stop shop' approach to addressing the needs of customers, with access to Citizen's Advice Bureau, Credit Union and HB/Homelink and Universal Credit, Home Energy and tenancy support services.
- ◆ Promoted financial education and saving with young people by setting up a Junior Savers project with a local school. 70 accounts were opened in Kings Hedges School in the year and the project is set to continue into the future with further children joining.
- ◆ Continued to offer activity programmes, places to meet and spaces available for hire at our community centres. There were 138,705 visits to Council community centres in 2015/16, which exceeded the target of 135,000 visits for the year. 83% of visits were by people from priority groups (including children and young people, older people, families, local people, people with disabilities, and BAME people), which was higher than the target of 82%.
- ◆ Initiated a review of community provision. The timetable for this was revised in January 2016 with an update report now going to scrutiny committee in June 2016.
- ◆ Supported the implementation of the new cultural trust, Cambridge Live. Performance against its business plan has been on track.
- ◆ Put in place management approaches for new community facilities at Storey's Field and Clay Farm.

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- ◆ Continued to provide a range of leisure facilities, including indoor and outdoor swimming pools, gyms and outdoor pitches. There were a total of 532,892 swims in Council swimming pools, against a target of 525,000 for 2015/16. There were a total of 222,869 non-swimming visits to Council sports facilities, against a target of 175,000 for 2015/16.
- ◆ Identified sports facilities for North West Cambridge, although development work was delayed due to delays in house building.
- ◆ Delivered seven out of ten prioritised s106-funded capital projects, with the remaining three being grants to external organisations that are not yet ready to complete their projects and receive the allotted funds.
- ◆ Increased the participation of people on low incomes in our community, leisure and arts facilities. Concession members increased by 3.3% and disability members by 12.6%. We also provided targeted activities, including swimming lessons for low income families with young children with 290 children attending as a result of referrals from local schools and family centres.
- ◆ Extended the influence young people have in the Council's decision-making at the Council's Area Committees through a Young People's Engagement Project. The project included carrying out a children's survey and holding Agenda Days. These highlighted issues about parks and litter and changes have been made as a result of the views the young people expressed.
- ◆ Put in place an Arts Plan that will provide a framework to help support local community groups and partnerships in the city. Over 1100 individuals and groups are now members of Cambridge Arts Network and receive regular newsletters. 110 people attended the Cambridge Arts Network conference in March, including over 30 separate community groups.
- ◆ Revised our sports development service, which now promotes greater opportunity for residents in disadvantaged communities to lead healthy, active lives. Work has included running popular Doorstep clubs and Street Games as well as other activities.
- ◆ Publicly marked the end of World War 2, including a focus at the Big Weekend that included community and civic engagement with speeches from the Mayors of Cambridge and Heidelberg.
- ◆ Improved understanding in organisations of our Community Grants criteria and eligibility to help increase the quality of applications, so that the grant is used in a way that most benefits Cambridge residents. Work included, revising application documents, holding application briefings and the offering officer support, partnering with Cambridge Council for Voluntary Service and Cambridge Ethnic Community Forum for specialist and individual support.

Environment, Waste and Public Health

- ◆ Collected just over 20,000 tonnes of material for recycling from the blue and green bins and recycling points across the city. Some 89 tonnes of bulky waste and recyclable material were also collected at community clear-up days. 43.3% of household waste was sent for reuse, recycling or composting against a target of 45.3%.
- ◆ Relocated our waste operation to Waterbeach as part of our shared waste service with South Cambridgeshire District Council. Current service standards have been maintained through this change.

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- ◆ Increased the amount of commercial food waste recycled. Monthly tonnage now exceeds the target of 40 tonnes per month and is achieving a saving on our landfill costs of over £2,000 per month.
- ◆ Continued to our work to protect tenants by driving down anti-social behaviour. We investigated almost 1,600 neighbour cases and in the vast majority our initial input was enough to improve the situation but where it was not we took action, successfully conducting 10 prosecutions.
- ◆ Received 1,897 complaints relating to noise nuisance and served a total of 44 abatement notices, with nine successful prosecutions where notices had not been complied with.
- ◆ Inspected food premises in the city and prompted improvements to hygiene practice where necessary. 613 inspections of food premises were carried out against a target of 778 for 2015/16. 92.3% of businesses inspected were compliant, which was slightly below the target of 93% for 2015/16.
- ◆ Contributed to the Healthier Catering Commitment for Cambridgeshire / Healthier Options project and although this project did not secure the engagement of schools a more direct approach to local community groups has been developed to take this work forward.
- ◆ Supported work to improve the take up of low emission taxis and buses. Work included the submission of a funding bid to the Office for Low Emission Vehicles (OLEV), in partnership with the County Council, to support the introduction of hybrid and electric vehicles into the bus and taxi fleets in Cambridge. The policy was originally due for adoption by the end of 2015/16 but due to the delay in OLEV giving guidance the policy is due to go to committee in June and October 2016.
- ◆ Initiated a review of the Council's public toilets and public realm bin provision to improve our operational efficiency and use of these assets. The location of all street and open space bins has been digitally mapped and the information made publicly available on our website. The public toilet review was originally envisaged for completion by the end of 2015/16, but is now scheduled for completion in 2016/17.
- ◆ Carried out 14 'Ward Blitzes' in the year to improve the quality of public realm. Environmental Data Reports were used at our area committees to help target local action, including education and enforcement. Over 200 abandoned locks were removed from the city centre as part of a clean-up initiative and a new agreement made with the OWL charity at Papworth Trust to receive unclaimed bikes.
- ◆ Initiated a plan to relocate the Streets & Open Spaces service from Mill Road Depot to Cowley Road. Implementation of the relocation plan, as part of wider Mill Road Depot redevelopment scheme, is anticipated in late 2016/17.

Strategy and Transformation

- ◆ Continued to respond to enquiries from residents, businesses, members of the public and others. We handled over 275,000 telephone enquiries, 40,000 face-to-face enquiries, and 30,000 email transactions through the Council's Customer Service Centre (CSC). 86% of calls to the CSC were resolved at first point of contact, which was slightly below the target of 90% for 2015/16. Average waiting times at the CSC were 8 minutes and 16 seconds, which was below the target of 10 minutes for 2015/16.

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- ◆ Established shared service operations in Legal, ICT and Building Control with our partners at South Cambridgeshire District Council and Huntingdonshire District Council designed to save 15% of overall costs.
- ◆ Developed the Council's digital strategy. Although it was not finally agreed by the end of 2015/16 as originally envisaged, some projects have progressed including investment in digital inclusion projects delivered by community groups.
- ◆ Supported work on the City Deal infrastructure programme, skills targets and affordable housing projects, to support the sustainable growth of the Greater Cambridge economy.
- ◆ We have not initiated a governance review for a combined authority for Greater Cambridge as focus has shifted onto the devolution agenda in the light of Government policies and proposals.
- ◆ Worked with partnering councils to progress proposals for devolution, albeit complicated by the Government's proposals for an East Anglian devolution deal late in the year.
- ◆ Worked with councils in similar "fast growth" cities to identify the opportunities challenges facing cities experiencing high levels of high-value growth and to make the case for policy flexibility to Government.
- ◆ Supported, with City Deal partners, the establishment of a Cambridge Promotions Agency.
- ◆ Dealt with 588 reports of anti-social behaviour of which 228 involved intensive casework.
- ◆ Strengthened our partnership working with the police, including putting in place a local "Prevent" initiative (a British-born imam ran a number of group sessions for young people in a local mosque). We produced an action plan for working together following a community engagement event and conducted training for over 160 plus frontline staff on their responsibilities under 'Prevent'.
- ◆ Resettled 3 refugee families (14 individuals) within Cambridge under the Syrian Vulnerable Person Resettlement Scheme and have committed to taking to take 50 refugees in total.
- ◆ Gained "White Ribbon Campaign" status in February 2015 and started to deliver on the first year of its action plan, including a forum on domestic and sexual violence/abuse, which brought together the different communities in Cambridge. A new Council webpage was developed and shared with the community providing information on our Housing Advice Service and links to the County Domestic Abuse & Sexual Violence Partnership, which maintains an up-to-date Domestic Violence Directory.
- ◆ Worked with the Office of the Police & Crime Commissioner on their restructure of restorative justice in the city and 21 referrals were made to the scheme from the police, city council and local housing authorities
- ◆ Ran a programme of awareness-raising sessions in secondary schools, with a focus on anti-social behaviour, healthy relationships and alcohol to around 900 students. Arranged street surgeries in the Abbey area to raise awareness with residents and attended community events to do the same.
- ◆ Worked with other partners to deal with anti-social behaviour associated with some of the street-life community, such as begging, street drinking and rough sleeping. There are a number of preventative activities in progress, such as joint begging patrols by Council officers, Police and

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the Street Outreach Team, revitalising the Alternative Giving Scheme and delivering workshops on community safety and anti-social behaviour as part of tenancy resettlement work in hostels. Enforcement action is also being considered where individuals are not engaging and their behaviour is having a significant impact on the wider community.

- ◆ Introduced a Public Spaces Protection Order in Petersfield Green, the front garden of Ditchburn Place and Mill Road Cemetery in June 2015. There has been one breach of the order and positive feedback from the public.

Finance and Resources

- ◆ Continued to administer housing benefit and support for council tax. We paid £39m in Housing Benefit and £6.35m in Council Tax support to approximately 8,200 people. The average number of days taken to process new claims in 2015/16 was 15 days, which was below the target of 16 days.
- ◆ Ensured that on-going welfare reforms are efficiently and effectively planned, managed and implemented, and that support is given to the most vulnerable in the city, trying to mitigate hardship where possible. Work included scrutiny of regulations to ensure awareness of the impact of changes, supporting vulnerable customers, offering Discretionary Housing Payments where appropriate and engaging with internal and external partners.
- ◆ Supported the initial roll-out of Universal Credit and worked with partners to provide support to the most vulnerable who will be claiming. This involved entering into a Delivery Partnership Agreement with the DWP and arranging with Cambridge CAB to facilitate personal budgeting support referrals.
- ◆ Invested in our commercial property portfolio to enhance the Council's income and thereby provide funding for a range of frontline services.
- ◆ Agreed an Office Accommodation Strategy to consolidate office space and costs.
- ◆ Continued to develop and implement a transformation programme to deliver efficiencies and modern services.
- ◆ Required all our new contractors to pay the Living Wage Foundation's Living Wage and reviewed our existing contracts to identify opportunities to introduce a requirement to pay it. We also promoted Living Wage accreditation to local businesses and organisations. By the end of the year 36 employers in the city were accredited.
- ◆ Agreed an Anti-Poverty Strategy, with an action plan, and started delivery of that action plan, in particular, supporting voluntary organisations in tackling poverty. Work included:
 - helping residents on low incomes to reduce their energy and water costs
 - increasing the number of apprenticeship opportunities in City Council services
 - providing 1,000 free holiday lunches to families
 - running cooking skills sessions
 - providing nursery provision at Buchan Street and Romsey Mill
 - assisting people who need it get debt and other financial advice, and
 - increased access to affordable loans, bank accounts and other financial products for those who currently have difficulty accessing them.

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Revenue Spending and Income

General Fund Services

For 2015/16, the Council agreed a budget for net spending by committees of £19.3 million. The Council Tax for City Council services was set at £176.75 for Band D properties.

The outturn figures, as reported to members, do not reflect a number of statutory accounting adjustments made at the year end. These accounting adjustments do not impact on the level of General Fund Reserves.

Note 9 to the accounts reconciles the actual outturn figures to the results presented in the Comprehensive Income and Expenditure Statement.

The table below compares the outturn figures for the General Fund with the revised budget.

(£000s)	Final Budget	Actual	Difference
Community Services	9,990	9,860	(130)
Environment	7,933	6,754	(1,179)
Housing (General Fund)	3,393	3,311	(82)
Strategy & Resources	(2,018)	(3,591)	(1,573)
Total Committee Expenditure	19,298	16,334	(2,964)
Capital accounting adjustments	(5,423)	(5,423)	0
Capital Plan Expenditure Funded from General Fund Reserves	10,742	8,534	(2,208)
Contribution to NNDR earmarked reserve – recovery of deficit in future years	0	497	497
Total	24,617	19,942	(4,675)
Financed by:			
Revenue Support Grant	(3,012)	(3,012)	0
New Homes Bonus	(4,963)	(4,976)	(13)
Non-domestic rates share - net income	(680)	(1,132)	(452)
Non-domestic rates reliefs - compensatory government grants	(829)	(964)	(135)
Other grants	0	(86)	(86)
Council Tax	(6,998)	(7,000)	(2)
Contributions from Earmarked Reserves – before statutory accounting adjustments	(7,036)	(7,259)	(223)
Contributions to/(from) General Fund Reserves	(1,099)	4,487	5,586
Total	(24,617)	(19,942)	4,675

The Council's actual net committee revenue expenditure was £2,964,000 less than the final budget set for the year. A variety of factors contributed to this overall position including overachievement of

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income on car parks, commercial property and waste totalling around £1,400,000, and an underspend on staff costs (net of agency costs) of around £730,000.

The total amount of capital expenditure funded from revenue was below the budget by £2,208,000 largely reflecting slippage on the timing of expenditure.

Under statutory regulation the amount of business rates credited to the General Fund in 2015/16 is based on an estimate, with any resulting difference being recovered from the General Fund, or paid to it in future years. Taking into account the levy payment due to central government for the year on growth above the assumed baseline, the charge for recovery of previous years' deficits and business rate relief compensatory grants from central government, the income credited to the General Fund was £587,000 above the budget. However, £497,000 will be paid back to the Collection Fund in future years and this has been set aside in an earmarked reserve.

Overall, a net contribution to General Fund reserves of £4,487,000 was made against a budgeted use of reserves of £1,099,000. At the 31 March 2016 the reserve stood at £16,012,000.

Housing Revenue Account

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Scrutiny Committee in June 2016, with the final budget for 2015/16.

(£000s)	Final Budget	Actual	Difference
Dwellings Rents and Other Income	(41,189)	(41,240)	(51)
Expenditure	27,503	23,144	(4,359)
Net cost of HRA services	(13,686)	(18,096)	(4,410)
Interest receivable on HRA balances	(326)	(466)	(140)
Loan Interest	7,541	7,541	0
Depreciation adjustment (transfer from Major Repairs Reserve)	(3,285)	(770)	2,515
Revaluation loss on non-dwelling assets	0	186	186
Direct Revenue Funding of Capital	20,191	17,101	(3,090)
Contributions from HRA earmarked reserves to General HRA reserves – before statutory adjustments	0	(422)	(422)
(Surplus)/deficit for the year	10,435	5,074	(5,361)

The variance on the depreciation adjustment of £2,515,000 compensated for a reduced depreciation charge included in the expenditure line, following a review of remaining useful dwelling lives during 2015/16. There was also a significant underspend in repairs and maintenance, the majority of which resulted from the planned maintenance programme. Employee related costs were lower across the HRA than budgeted.

There was an underspend on direct revenue funding of capital of £3,090,000, of which £1,686,000 has been rephased into 2016/17. Overall the outturn position was a contribution from HRA reserves of £5,074,000 against a budget of £10,435,000. HRA reserves stood at £9,791,000 at 31 March 2016.

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Earmarked Reserves

There was an overall reduction in General Fund earmarked reserves of £8,080,000 in 2015/16. This reflected the review of reserves (particularly Repairs and Renewals Reserves) included in the February 2015 Budget Setting Report. Whilst some of these reserves were redesignated (for example £6,500,000 for an Invest for Income fund) around £8 million of these balances (along with other capital receipts) were invested in the year in new commercial property at Orchard Park in Cambridge and Cambridge Retail Park in Haverhill. These properties will generate the Council a significant rental income.

There was an overall reduction in HRA earmarked reserves of £204,000. This reflected the return of a number of balances to general HRA reserves.

Capital Spending and Receipts

In 2015/16 the Council spent £42,424,000 on property, plant and equipment. Of this £10,124,000 was on major repairs and improvements to council dwellings, £1,512,000 on vehicles, plant and equipment and £30,003,000 on assets in the course of construction. Of the assets in the construction spend £20,012,000 was on new housing developments, including those on Clay Farm and at the Homerton college site, where construction commenced in the year. £12,058,000 was transferred from assets in the course of construction to HRA dwellings on completion of new homes, including on sites at Campkin Road, Wadloes Road and Atkins Close.

Expenditure on assets in the course of construction also included £4,040,000 on the new multi-agency community centre the Council is constructing at Clay Farm and £5,286,000 on homes being constructed to be let at intermediate market rents at Aylesborough Close and Water Lane, which will be managed by Cambridge City Housing Company, a wholly owned subsidiary of the Council.

As already discussed, the Council spent £9,626,000 on acquiring investment properties for rent at Orchard Park and Cambridge Retail Park in Haverhill.

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £11,130,000 in the year, of which £857,000 had to be paid over to central government.

The Council's future commitments under capital contracts are detailed further in Note 19 to the accounts.

Assets

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. As a result of asset revaluations and the capital expenditure discussed above (and net of asset disposals) the value of Property, Plant and Equipment increased by £85,567,000 to £772,805,000 and the value of Investment Property increased by £22,509,000 to £144,274,000 as at 31 March 2016. Although these increases appear significant, it should be noted that revaluation increases are not realised until assets are disposed of.

Liabilities

The Council did not need to undertake any new external borrowing during the year. The external debt of £214 million shown in the Balance Sheet at the end of the financial year relates to borrowing

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undertaken in 2011/12 to meet a one-off debt settlement payment to Central Government in relation to new Self-Financing arrangements for the Housing Revenue Account.

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £106.8 million at 31 March 2016. This liability has no impact on the level of the Council's available reserves.

The liability has reduced significantly this year as a result of an increase in the discount rate used by the actuary to estimate the Council's liability. Further information on this change and relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented in note 37.

Cashflows

The balance of cash and cash equivalents at 31 March 2016 was £9,186,000. This excludes the Council's investments in fixed term deposits and other longer term investments which are detailed in note 23. Further information on cashflows for the year can be found in the cashflow statement and accompanying notes.

Council Staff

The number of staff employed by the Council fell during the year from 884 full time equivalents at 31 March 2015 to 800 at 31 March 2016. This net reduction reflects the transfer of staff to Cambridge Live, Visit Cambridge and Beyond and the Council's new external cleaning contractor. The number of staff employed by the Council was also significantly impacted by the commencement of the 3Cs shared service on 1 October. Staff in Legal and Building Control previously employed by Huntingdonshire and South Cambridgeshire District Councils transferred into the Council, whilst ICT staff previously employed by the Council transferred to Huntingdonshire.

Looking ahead to 2016/17

The new community centre at Clay Farm is expected to open in the second half of the year and the homes for let at intermediate rent will be completed in 2016/17.

The Council's Business Transformation Programme will continue to develop major new initiatives, both in terms of sharing further services with other councils and in transforming those we continue to operate alone. Work has continued on reviewing the Council's building requirements, and a lease has been taken on premises in Cowley Road to facilitate the plan to vacate of the Mill Road depot site by March 2017. The Council has undertaken a senior management restructure to be implemented in April 2016.

Central government has announced a new, four year, spending deal for councils. Although the Council is well placed to deal with the challenges of reduced central government funding, including the phasing out of Revenue Support Grant and changes to New Homes Bonus, there will continue to be financial pressures on the Council. The Council will continue to work to understand the implications of the proposed move to 100% business rates retention and the risks that this will bring in the future.

As a result of a referendum held on 23 June 2016, the United Kingdom voted to leave the European Union. Along with the local government sector as a whole, the Council will need to consider the implications of this decision. Note 44 to the accounts recognises the significant impact that the referendum result may have on the value of the Council's assets and liabilities in the future.

Narrative Report

Further Information

Further information about the accounts is available from:

Head of Finance
Cambridge City Council
PO Box 700
Cambridge
CB1 0JH

In addition, interested members of the public have a right to inspect the accounts each year before the audit is completed. The availability of the accounts for public inspection is advertised in the local press and on the Council's website.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the chief financial officer;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- ◆ approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing the Statement of Accounts, the chief financial officer has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent; and
- ◆ complied with the Code of Practice.

The chief financial officer has also:

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

Opinion

I certify that the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2016 and its income and expenditure for the year then ended.

Caroline Ryba
Head of Finance
Date: 27 September 2016

I confirm that the audited accounts were approved by the Civic Affairs Committee held on the 27 September 2016.

Cllr Russ McPherson
Chair of Civic Affairs
Date: 27 September 2016

Annual Governance Statement

Scope of Responsibility

Cambridge City 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. Cambridge City 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, Cambridge City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cambridge City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.cambridge.gov.uk or can be obtained from the Chief Executive, The Guildhall, Cambridge. This statement explains how Cambridge City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, 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 Cambridge City Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority 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 Cambridge City 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 Cambridge City Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements include:

- ◆ The Council's Objectives, which focus the Council's efforts in achieving the vision for Cambridge.
- ◆ The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.

Annual Governance Statement

- ◆ The Narrative Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.
- ◆ The annual budget and service planning process which translates the Council's Objectives into actions at portfolio* and operational level. *Portfolio Plans replaced by single Corporate Plan for 2016/17 onwards.
- ◆ The Council's Mid-Year Financial Review, which identifies how the Council will resource its aspirations and plans for any financial risks.
- ◆ The Budget Setting Report, which sets out the Council's overall spending plans for both revenue and capital expenditure.
- ◆ The Treasury Management Strategy and an Annual Treasury Report which reviews treasury management activities during the year and complies with the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- ◆ The arrangements for regular budget monitoring and reporting of significant variances to senior management.
- ◆ An independent Internal Audit function with a risk-based audit plan.
- ◆ An annual opinion of the Head of Internal Audit on the authority's internal control environment and risk management framework.
- ◆ The Council's Constitution, which sets out the decision-making process, the terms of reference for each committee and the roles and responsibilities of Members and officers.
- ◆ The Member/Officer protocol, which aids effective communication between officers and Members and clarifies their respective roles and responsibilities.
- ◆ Codes of Conduct for Members and officers, which have been formally approved and are reviewed regularly and available to all Members and staff.
- ◆ The Council's Civic Affairs Committee, which promotes and maintains high standards of conduct by Members and which has overall responsibility for the Council's compliance with laws and regulations.
- ◆ The role of the Council's Civic Affairs Committee, which fulfils the core functions of an Audit Committee as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.
- ◆ The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed regularly by the Council's Civic Affairs Committee.
- ◆ A Register of Interests, which is maintained and reviewed regularly.
- ◆ Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and officers.

Annual Governance Statement

- ◆ A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.
- ◆ The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.
- ◆ The Chief Executive is the Council's Head of Paid Service and the Head of Legal Services is the Council's Monitoring Officer. Their roles and responsibilities are set out in the Council's Articles of the Constitution.
- ◆ A 'Whistleblowing' Policy, which is in place and available on the Council's intranet.
- ◆ The Council's Complaints Procedure, which is available on the Council's website and the Independent Complaints Investigator who can investigate how the Council has dealt with its complaints.
- ◆ The annual complaints report to Civic Affairs Committee, which analyses trends in complaints against the Council and what has been done to address them.
- ◆ Member Induction training and a guide for new Members, together with ongoing training for Members on key skills and more in-depth explanations of issues concerning the Council.
- ◆ The Council's Performance Review process which is undertaken annually across the Council for all staff.
- ◆ The Council's Competency Framework, which is in place for all staff and managers.
- ◆ The Council's People Strategy, which sets out how the Council will recruit, reward and develop its staff to reach their full potential.
- ◆ The Media Protocol, which sets out the processes for drafting and clearing news releases and engaging with the media.
- ◆ The Programme Office, which commissions and monitors projects to implement change and transformation.
- ◆ The Council's consultations and surveys, including the budget consultation, which are undertaken periodically to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.
- ◆ The Code of Corporate Governance, which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.
- ◆ A framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.
- ◆ The corporate website, residents' magazine and social media channels, which along with other publications and communications provide for informing and engaging residents and other stakeholders in service delivery and policy formulation.

Annual Governance Statement

- ◆ A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.
- ◆ Internal quarterly performance reporting against key performance indicators for each service prepared for and presented to the strategic leadership team to consider necessary remedial action.

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out some principles regarding the status of the Chief Financial Officer (also referred to as the "Section 151 officer".) The statement says:

"Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers. The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact."

The Head of Finance is the Council's Chief Financial Officer and fulfils the role of the S151 officer, reporting to the Director of Business Transformation. Although this is not a director level appointment, and not a direct report to the Chief Executive, organisational arrangements are in place to ensure that the outcomes of the CIPFA governance requirements are met. Whilst line management responsibility rests with the Director of Business Transformation, the Head of Finance is a full member of the Council's Strategic Leadership Team and reports directly to the Chief Executive on financial matters.

Review of Effectiveness

Cambridge City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within Cambridge City Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual opinion, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed, annually, by the Council's Civic Affairs Committee.

Individual Internal Audit reports are issued directly to the Chief Executive, the relevant Director, the Director of Business Transformation, the Council's Monitoring Officer, the Head of Finance (S151 Officer), the Leader of the Council and the relevant Executive Councillor. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into the Council's Risk Register and progress on their implementation is reported to and monitored by the Chief Executive and the Strategic Leadership Team. Implementation rates of agreed actions are also reported to Civic Affairs.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

Annual Governance Statement

The Head of Finance is the Authority's Chief Financial Officer and is therefore responsible for the proper administration of the authority's financial affairs. The Head of Finance is line managed by the Director of Business Transformation but reports directly to the Chief Executive on financial matters and is a full member of the Strategic Leadership Team.

The Council's Civic Affairs Committee is responsible for advising on and monitoring the Members Code of Conduct and for advising the Council on the ethical aspects of the corporate governance framework. This arrangement replaces the previous responsibilities of the Council's Standards Committee, which was disbanded in July 2012.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Civic Affairs Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those specifically addressed with new actions planned are outlined below.

Annual Governance Statement

Action Plan to Address Significant Governance Issues

Please note that the actions included in this action plan are to address both significant governance issues that have arisen during 2015/16, but also forward looking matters identified for 2016/17.

1 New Service Delivery Arrangements

Different services delivery arrangements have been introduced across a range of Council services, including shared service arrangements with South Cambs District Council and Huntingdonshire District Council for the delivery of Building Control, ICT and Legal Services and a Housing Development Agency and Cambridge City Housing Company.

Governance Arrangements have been established for these new service delivery arrangements, but it is important for the Council to understand whether these are working effectively and delivering expectations to our stakeholders with no undue risks.

Action

[Target date & Officer Responsible]

- ◆ Review the effectiveness of governance arrangements established for shared services and other service delivery arrangements to ensure they are working effectively.
- ◆ Identify any lessons learnt from the establishment of shared services and ensure these are communicated across the Council.
- ◆ An audit is included on the 2016/17 audit plan to undertake such a review.

*Head of Internal Audit
31 March 2017*

2 Financial Management System

The Council is in the process of replacing its current financial management system, Oracle, with a new system. The Financial Management System is a key corporate system that underpins the whole of the Council's financial control arrangements and it is therefore imperative that there is a robust process for implementing the new system, incorporating key controls into all processes.

Action

[Target date & Officer Responsible]

- ◆ Ensure a robust process is established for the migration of data to the new financial management system and that interfaces with other key systems are thoroughly tested as part of the implementation plan.

*Head of Finance
31 March 2017*

- ◆ Internal Audit to undertake additional testing to ensure the robustness of the above processes. (This is included as part of the 2016/17 audit plan).

*Head of Internal Audit
31 March 2017*

Annual Governance Statement

3 Budget Management

A number of issues concerned with cost centre management arrangements have been highlighted following a recent audit of Project Delivery Arrangements within Streets and Open Spaces.

Financial management and budgetary control are key elements of the Council's governance framework and it is important therefore that these are properly controlled.

Action

[Target date & Officer Responsible]

- ◆ Conduct audit of budgetary control arrangements, which is included as a corporate audit in the 2016-17 audit plan.

*Head of Internal Audit
31 March 2017*

4 Capital Variance Reporting Arrangements

A number of issues regarding capital variance reporting arrangements have been highlighted by the audit identified in 3 above and also by the Finance Team and Capital Programme Board.

The arrangements for budget monitoring and reporting of significant variances are again key elements of the Council's governance arrangements and it is therefore important that these processes are robust and reliable.

A review of capital variance reporting arrangements by the Finance Team is now underway and a number of improvements to the process have been identified.

Action

[Target date & Officer Responsible]

- ◆ Complete the review of Capital Variance Reporting arrangements and roll out agreed actions across the organisation.

*Head of Finance
31 March 2017*

5 Information Security

Information Security remains a key risk to the Council and work is ongoing to implement appropriate controls and raise awareness of data security across the authority. A more structured approach to data incident reporting and responding has been developed and a recent audit of Data Security and Data Sharing Arrangements was given a significant assurance rating. This audit made a number of recommendations to ensure the Council has a complete record of what data it shares with other organisations and to mitigate the risk of future data breaches.

There have been a relatively small number of minor data security breaches during 2015/16, all of which have been addressed appropriately or are being addressed.

Annual Governance Statement

It is important that the Council continues to keep data security high on the agenda to ensure that it is effectively managed, particularly with the introduction of new service delivery arrangements for ICT and information management.

Action

[Target date & Officer Responsible]

- ◆ Ensure implementation of agreed actions arising from recent audit review.

*Head of Corporate Strategy (as Chair of ISG)
30 September 2017*

- ◆ The Information Security Group (ISG) to continue to raise awareness of data security issues and respond to data security breaches as appropriate.

*Head of Corporate Strategy (as Chair of ISG)
31 March 2017*

6 Constitution/Financial Regulations

In addition to the introduction of shared services across a number of key service areas, a new senior management structure has also recently been implemented across the Council.

Both of the above will have implications for key roles and responsibilities as set out in the Council's Constitution and Financial Regulations.

Action

[Target date & Officer Responsible]

- ◆ Review and update the Council's Constitution and Financial Regulations/ Financial Procedures Rules to reflect the changes in the Council's new senior management structure and new shared service arrangements for Legal, ICT and Building Control.
- ◆ Consider the merits of removing Financial Regulations from the Constitution and maintaining them as a separate 'Technical Guide'.

*Monitoring Officer / Head of Finance (S151 Officer)
31 March 2017*

7 Cambridge Live

In April 2015 'Cambridge Live' was established as a charitable trust to take over the running of the Corn Exchange and the Folk Festival, plus a range of outdoor events on behalf of the Council. The Council continues to support Cambridge Live. It is now timely to review the arrangements between the Council and the Trust to ensure the Trust is delivering to expectations.

Action

[Target date & Officer Responsible]

- ◆ Review the arrangements between the Council and the trust to ensure the Trust is delivering to expectations.
- ◆ A review of this area is included on the 2016/17 audit plan.

Annual Governance Statement

*Head of Internal Audit
31 March 2017*

8 HSE Investigation

A serious incident occurred at the Bonfire Night event in November 2015, in which a member of the public was seriously injured. An HSE investigation is still ongoing.

The Council has conducted a review of its approach to managing events on its open spaces, based on advice received from the Health and Safety Executive (HSE), and continues to work with Cambridge Live to address issues arising from this incident.

Action

[Target date & Officer Responsible]

- ◆ Ensure that the lessons learnt from the outcomes of the above incident are effectively and appropriately shared with other services across the Council and put into practice to improve controls.

*Strategic Director
31 March 2017*

9 Loss of Key Staff

One of the key effects of the significant changes being implemented across the Council, as described in 6 above, is the considerable loss of knowledge and experience as staff, and in particular key staff, leave the organisation in a short space of time.

This could have an impact on service delivery not only for the services concerned (i.e. ICT, Legal Services and Building Control) but also for the services that they support. This currently represents a significant risk to the Council.

- ◆ Identify lessons that could be learned from experiences to date (particularly in relation to ICT) to help the organisation manage such transitions more effectively in future.
- ◆ Implement more robust arrangements for succession planning to ensure that where key staff are leaving the organisation, adequate preparation is made for this. This should include identification of their key roles and responsibilities, so that these continue to be fulfilled, and an appropriate handover plan, including handover notes and discussions. Where key roles and responsibilities are being transferred, it should be ensured that there is sufficient resource in place and that officers have the right level of skills and knowledge to undertake any new roles. Any changes in responsibility should be communicated across the Council.

*Strategic Leadership Team
31 March 2017*

Councillor Lewis Herbert
Leader of the Council
Date: 30 August 2016

Antoinette Jackson
Chief Executive
Date: 26 August 2016

Independent Auditor's Report to the Members of Cambridge City Council

Opinion on the Authority's financial statements

We have audited the financial statements of Cambridge City Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Notes to the main financial statements 1 to 44
- Housing Revenue Account Income and Expenditure Account, Statement of Movement on the Housing Revenue Account Balance, and related notes 1 to 10,
- Collection Fund and related notes 1 to 7, and
- Statement of Accounting Policies

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Cambridge City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page xv, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 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

Independent Auditor's Report to the Members of Cambridge City Council

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridge City Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and

Independent Auditor's Report to the Members of Cambridge City Council

effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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 Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Cambridge City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Cambridge City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Neil Harris
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton

Date: 27 September 2016

MAIN FINANCIAL STATEMENTS

Main Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(surplus) or deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'net (increase)/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

Financial year 2015/16

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2015	(11,525)	(25,867)	(14,865)	(4,170)	(22,084)	(2,219)	(11,437)	(92,167)	(477,300)	(569,467)
Movement in reserves during 2015/16										
(Surplus) / deficit on the provision of services	(14,416)	0	(24,230)	0	0	0	0	(38,646)	0	(38,646)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(72,458)	(72,458)
Total Comprehensive income and expenditure	(14,416)	0	(24,230)	0	0	0	0	(38,646)	(72,458)	(111,104)
Adjustments between accounting basis and funding basis under regulations (Note 4)	18,009	0	29,508	0	(1,867)	(1,049)	3,237	47,838	(47,838)	0
Net (increase) / decrease before transfers to earmarked reserves	3,593	0	5,278	0	(1,867)	(1,049)	3,237	9,192	(120,296)	(111,104)
Transfers to / from earmarked reserves (Note 5)	(8,080)	8,080	(204)	204	0	0	0	0	0	0
(Increase) / decrease in 2015/16	(4,487)	8,080	5,074	204	(1,867)	(1,049)	3,237	9,192	(120,296)	(111,104)
Balance at 31 March 2016	(16,012)	(17,787)	(9,791)	(3,966)	(23,951)	(3,268)	(8,200)	(82,975)	(597,596)	(680,571)

Main Financial Statements

Financial Year 2014/15

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2014	(8,990)	(23,973)	(8,880)	(4,320)	(17,593)	(4,919)	(11,058)	(79,733)	(453,550)	(533,283)
Movement in reserves during 2014/15										
(Surplus) / deficit on the provision of services	3,042	0	(30,030)	0	0	0	0	(26,988)	0	(26,988)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(9,196)	(9,196)
Total Comprehensive income and expenditure	3,042	0	(30,030)	0	0	0	0	(26,988)	(9,196)	(36,184)
Adjustments between accounting basis and funding basis under regulations (Note 4)	(7,471)	0	24,195	0	(4,491)	2,700	(379)	14,554	(14,554)	0
Net (increase) / decrease before transfers to earmarked reserves	(4,429)	0	(5,835)	0	(4,491)	2,700	(379)	(12,434)	(23,750)	(36,184)
Transfers to / from earmarked reserves (Note 5)	1,894	(1,894)	(150)	150	0	0	0	0	0	0
(Increase) / decrease in 2014/15	(2,535)	(1,894)	(5,985)	150	(4,491)	2,700	(379)	(12,434)	(23,750)	(36,184)
Balance at 31 March 2015	(11,525)	(25,867)	(14,865)	(4,170)	(22,084)	(2,219)	(11,437)	(92,167)	(477,300)	(569,467)

Main Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in the year, of providing services, in accordance with generally accepted accounting practices, rather than the amounts to be funded from taxation. Authorities raise 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.

(£000s)	Notes	2015/16			2014/15		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		2,664	(833)	1,831	2,453	(763)	1,690
Cultural and related services	3	9,633	(1,173)	8,460	13,824	(4,555)	9,269
Environmental and related services		15,378	(6,615)	8,763	14,922	(6,464)	8,458
Planning Services		9,202	(3,296)	5,906	8,406	(3,238)	5,168
Highways and transport services	3	4,348	(10,383)	(6,035)	6,704	(9,858)	(3,154)
Housing Revenue Account	3	14,998	(41,265)	(26,267)	10,152	(40,045)	(29,893)
Other housing services		48,582	(41,780)	6,802	46,050	(41,135)	4,915
Corporate and democratic core		2,725	0	2,725	2,788	0	2,788
Non distributed costs		(2,185)	0	(2,185)	130	0	130
Cost of Services		105,345	(105,345)	0	105,429	(106,058)	(629)
Other operating expenditure	6	(227)	(3,113)	(3,340)	1,133	(5,143)	(4,010)
Financing and investment income and expenditure	3/7	14,061	(24,161)	(10,100)	12,846	(12,265)	581
Taxation and non-specific grant income	3/8	0	(25,206)	(25,206)	0	(22,930)	(22,930)
(Surplus) / deficit on provision of services	9	119,179	(157,825)	(38,646)	119,408	(146,396)	(26,988)
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	3/33			(49,069)			(34,239)
Remeasurements of the net defined benefit liability	3/33			(22,821)			24,477
				(71,890)			(9,762)
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
Surplus or deficit on revaluation of available for sale financial assets				(568)			566
Other comprehensive (income) / expenditure				(72,458)			(9,196)
Total comprehensive (income) / expenditure				(111,104)			(36,184)

Main Financial Statements

Balance Sheet

The Balance Sheet shows the value at the stated date of the Council's assets and liabilities. The net assets are matched by reserves. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves 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 (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes those reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

(£000s)	Notes	31 March 2016	31 March 2015
Property, Plant and Equipment	15	772,805	687,238
Heritage Assets		580	470
Investment Property	20/21	144,274	121,765
Intangible Assets		292	456
Long Term Investments	23	32,050	15,484
Long Term Debtors	24	1,270	1,146
Long Term Assets		951,271	826,559
Short Term Investments	23	56,801	86,318
Assets Held for Sale	25	4,295	9,708
Inventories		260	268
Short Term Debtors	26	13,270	11,790
Cash and Cash Equivalents	27	9,186	7,268
Current Assets		83,812	115,352
Short Term Borrowing	35/36	(82)	(82)
Short Term Creditors	28	(17,894)	(17,360)
Receipts in Advance	29	(3,713)	(4,287)
Provisions	30	(4,711)	(4,245)
Current Liabilities		(26,400)	(25,974)
Long Term Borrowing	35/36	(213,572)	(213,572)
Other Long Term Liabilities	37	(106,762)	(124,811)
Capital Grants Receipts in Advance	31	(7,778)	(8,087)
Long Term Liabilities		(328,112)	(346,470)
Net Assets		680,571	569,467
Usable Reserves	32	(82,975)	(92,167)
Unusable Reserves	33	(597,596)	(477,300)
Total Reserves		(680,571)	(569,467)

These financial statements replace those authorised for issue on 29 June 2016.

Caroline Ryba, Head of Finance

27 September 2016

Main Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. 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 taxation, grant income and by 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 show claims that will be made on future cash flows by providers of capital (i.e. borrowing) to the Council.

(£000s)	Notes	2015/16	2014/15
Cash flows from operating activities			
Cash receipts		158,481	168,368
Cash payments		(139,124)	(132,568)
Net cash flows from operating activities	38	19,357	35,800
Net cash flows from investing activities	39	(22,516)	(35,259)
Net cash flows from financing activities	40	5,077	154
Net (decrease) / increase in cash and cash equivalents		1,918	695
Cash and cash equivalents at the beginning of the year	27	7,268	6,573
Cash and cash equivalents at the end of the year	27	9,186	7,268

NOTES TO THE MAIN FINANCIAL STATEMENTS

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Notes to the Main Financial Statements

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 85 to 103, 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 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 significantly reduce levels of service provision.

2 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenditure during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The net pension liability at 31 March 2016 is estimated to be £106.8 million and the estimated effects on the liability of changes in individual assumptions is disclosed in Note 37.

Property, Plant and Equipment

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. If the Council did not sustain its current spending on repairs and maintenance the useful lives currently assigned to assets may be reduced.

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall. It is estimated that the annual depreciation charge for assets would increase by approximately £765,000 for every year that useful lives had to be reduced.

Business Rates

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. The Council's General Fund share of business rates income is 40%.

Notes to the Main Financial Statements

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2016 following successful rating valuation appeals. The Council's share of this provision is £3.8 million as disclosed in Note 30. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made on historical experience.

Fair Value Measurements

When the fair value of assets and liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

The most significant assets that the Council has measured at fair value in the balance sheet where level 1 inputs are not available are Investment Properties and surplus Property, Plant and Equipment. Significant changes in any of the unobservable inputs used in these valuations would result in significantly higher or lower fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities can be found in Notes 16, 21 and 35.

3 Comprehensive Income and Expenditure Account - Material Items of Income and Expenditure and changes in services

Material Items of Income and Expenditure

The following material items of income and expenditure are included in the relevant lines of the Comprehensive Income and Expenditure Statement.

A net credit for reversal of previous revaluation losses of £9.3 million on council housing stock has been credited to expenditure within the HRA net cost of service line. The comparative figure for 2014/15 includes a net credit of £15.0 million. More detail on the movements in the value of the Council's housing stock can be found in note 15 to the main financial statements.

A net credit for reversal of previous revaluation losses of £2.1 million in respect of car parks has been credited to expenditure within the highways and transport net cost of service line. 2014/15 included a charge of £0.5 million.

Financing and investment income includes gains on the value of investment properties of £13.4 million (£3.5 million in 2014/15).

The Council's share of non-domestic rates income totalling £37.3 million (£36.2 million in 2014/15) and the tariff of £33.5 million (£32.9 million in 2014/15) payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

Notes to the Main Financial Statements

The surplus on revaluation of Property, Plant and Equipment includes a net £30.2 million gain (£24.2 million in 2014/15) in respect of the Council's housing stock.

There is a total credit for remeasurements of the Council's net defined benefit pension liability of £22.8 million (a charge in 2014/15 of £24.5 million). This net figure reflects a number of aspects as detailed in note 37 to the accounts. Most significantly, there is a credit of £28.7 million (charge of £41.4 million in respect of 2014/15) reflecting a change in the financial assumptions used by the actuary to estimate the pension liability.

Changes in Services

The Council transferred the running of the Cambridge Folk Festival, Corn Exchange and other arts services to a new arts trust charity, Cambridge Live on 1 April 2015, although it continues to pay the trust a sum for services as detailed in Note 12. For 2015/16 Cultural and Related Services includes expenditure of £939,000 (£4,959,000 in 2014/15) and revenue of £52,000 (£3,383,000 in 2014/15) in relation to this service area.

The Council transferred the running of the tourism service to Visit Cambridge and Beyond on 1 February 2016, but will continue to pay a subsidy as detailed in Note 12. For 2015/16 Cultural and Related Services includes expenditure of £718,000 (£796,000 in 2014/15) and income of £397,000 (£537,000 in 2014/15) in relation to this service.

4 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

The total comprehensive income and expenditure recognised by the Council in the year, is prepared in accordance with proper accounting practice. This note details the adjustments that are made to income and expenditure to reflect the resources that are specified by statute as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to fund Housing Revenue Account (HRA) services.

Housing Revenue Account (HRA) Balance

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Notes to the Main Financial Statements

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital expenditure for which there are no outstanding grant conditions but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied.

Notes to the Main Financial Statements

Financial year 2015/16

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(5,416)	(8,711)	0	0	0	14,127
Net revaluation (losses)/gains on property, plant and equipment	3,077	9,329	0	0	0	(12,406)
Net revaluation (losses)/gains on assets held for sale	1,084	0	0	0	0	(1,084)
Movements in the market value of investment properties	13,321	99	0	0	0	(13,420)
Amortisation of intangible assets	(108)	0	0	0	0	108
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(4,387)	(877)	0	0	0	5,264
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(7,105)	(4,286)	0	0	0	11,391
Private Sector Housing Loans Adjustment	4	0	0	0	0	(4)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(3)	0	0	0	0	3
Capital expenditure charged against General Fund and HRA balances	9,598	17,101	0	0	0	(26,699)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,828	1,455	0	0	(5,283)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	8,520	(8,520)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,428	7,702	(11,130)	0	0	0
Other capital receipts	0	79	(79)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	(16)	(120)	136	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	11,010	0	0	(11,010)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(857)	0	857	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(11)	0	0	11
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(2,650)	0	0	2,650
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sales proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal	3,403	0	0	0	0	(3,403)
Adjustments primarily involving the Major Repairs Reserve:						
Transfer allowed by statute between the HRA and Major Repairs Reserve	0	7,941	0	(7,941)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,892	0	(6,892)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	9	0	0	0	0	(9)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,130)	(1,364)	0	0	0	10,494
Employer's pension contributions and direct payments to pensioners payable in the year	4,573	1,149	0	0	0	(5,722)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	2,689	0	0	0	0	(2,689)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	28	0	0	0	0	(28)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(11)	11	0	0	0	0
Total adjustments	18,009	29,508	(1,867)	(1,049)	3,237	(47,838)

Notes to the Main Financial Statements

Financial year 2014/15

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(4,989)	(10,330)	0	0	0	15,319
Net revaluation (losses)/gains on property, plant and equipment	(2,049)	15,024	0	0	0	(12,975)
Net revaluation (losses)/gains on assets held for sale	146	0	0	0	0	(146)
Movements in the market value of investment properties	3,481	(9)	0	0	0	(3,472)
Amortisation of intangible assets	(130)	0	0	0	0	130
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,526)	(597)	0	0	0	2,123
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(935)	(10,051)	0	0	0	10,986
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(33)	0	0	0	0	33
Capital expenditure charged against General Fund and HRA balances	2,449	5,115	0	0	0	(7,564)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,386	1,230	0	0	(4,616)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	4,237	(4,237)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	24	12,720	(12,744)	0	0	0
Other capital receipts	0	180	(180)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	7,178	0	0	(7,178)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,279)	0	1,279	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(12)	0	0	12
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(12)	0	0	12
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sales proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal	0	3,193	0	0	0	(3,193)
Adjustments primarily involving the Major Repairs Reserve:						
Transfer allowed by statute between the HRA and Major Repairs Reserve	0	7,929	0	(7,929)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,629	0	(10,629)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	34	0	0	0	0	(34)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,966)	(1,262)	0	0	0	10,228
Employer's pension contributions and direct payments to pensioners payable in the year	4,050	1,045	0	0	0	(5,095)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(1,141)	0	0	0	0	1,141
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	0	0	0	0	(15)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(8)	8	0	0	0	0
Total adjustments	(7,471)	24,195	(4,491)	2,700	(379)	(14,554)

Notes to the Main Financial Statements

5 Movement in Reserves Statement – Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans together with the amounts of earmarked reserves used to meet General Fund and HRA expenditure in 2015/16.

(£000s)	2014/15			2015/16		Balance at 31 March 2016	
	Balance at 1 April 2014	Transfers In	Transfers Out	Balance at 31 March 2015	Transfers In		Transfers Out
General Fund:							
Asset Repair and Renewals Reserves	(13,915)	(3,706)	3,257	(14,364)	(1,265)	12,936	(2,693)
Insurance Fund	(1,166)	(722)	991	(897)	(755)	635	(1,017)
Technology Investment Fund	(133)	0	4	(129)	0	0	(129)
Development Plan Reserve	(577)	(182)	208	(551)	0	296	(255)
Compulsory Purchase Order Compensation Reserve	(222)	0	0	(222)	0	222	0
Major Planning Appeals Reserve	(135)	(26)	0	(161)	0	161	0
Revenue Contributions to Capital	(136)	0	18	(118)	0	115	(3)
Efficiency Fund	(373)	(19)	175	(217)	0	81	(136)
Pension Reserve	(986)	0	0	(986)	0	986	0
Climate Change Fund	(347)	0	0	(347)	0	0	(347)
Keep Cambridge Moving	(436)	0	0	(436)	0	436	0
Business Rates Retention	(3,405)	(2,327)	1,292	(4,440)	(498)	3,169	(1,769)
Fixed Term Priority Projects	0	(286)	0	(286)	0	135	(151)
Sharing Prosperity	0	(493)	0	(493)	(325)	193	(625)
Invest for Income Fund	0	0	0	0	(6,500)	0	(6,500)
City Deal Fund	0	0	0	0	(1,985)	0	(1,985)
Other	(2,142)	(826)	748	(2,220)	(721)	764	(2,177)
Total	(23,973)	(8,587)	6,693	(25,867)	(12,049)	20,129	(17,787)
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(2,392)	(545)	1,108	(1,829)	(285)	83	(2,031)
Shared Ownership Reserve	(300)	0	0	(300)	0	300	0
Other	(1,628)	(845)	432	(2,041)	(14)	120	(1,935)
Total	(4,320)	(1,390)	1,540	(4,170)	(299)	503	(3,966)

Notes to the Main Financial Statements

6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2015/16		2014/15	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	857	0	1,279
Impairment losses on assets held for sale	0	(1,084)	0	(146)
(Gains) / losses on the disposal of non-current assets	(3,034)	0	(4,963)	0
Other income	(79)	0	(180)	0
	(3,113)	(227)	(5,143)	1,133

7 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

(£000s)	2015/16		2014/15	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,534	0	7,496
Impairment of investments	0	(107)	0	(59)
Net interest on the net defined benefit liability	0	3,997	0	4,111
Trading Activities	(1,100)	1,035	(125)	69
Interest receivable and similar income	(1,376)	0	(789)	0
Income and expenditure in relation to investment properties and changes in their fair value	(21,685)	1,602	(11,351)	1,229
	(24,161)	14,061	(12,265)	12,846

8 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes

(£000s)	2015/16	2014/15
Council tax income	(7,017)	(6,601)
Net council share of business rates income	(3,804)	(3,330)
Non-ringfenced government grants	(9,460)	(8,783)
Capital grants and contributions	(4,925)	(4,216)
	(25,206)	(22,930)

The business rates income retained by the Council under the business rates retention scheme of £4,768,000 (2014/15 - £3,330,000) comprises the Council's share of income of £37,348,000 (2014/15 - £36,245,000) less a tariff payment due to central government of £33,544,000 (2014/15 - £32,915,000).

Notes to the Main Financial Statements

9 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 Service Reporting Code of Practice (SERCOP). However, decisions about resource allocation are taken by the Council's Executive on the basis of financial information analysed by portfolio. Reports presented to members are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to revaluation losses and revenue expenditure funded from capital under statute.
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- The net income generated by the Council's commercial property service is reported below 'cost of services' in 'financing and investment income and expenditure'.
- Reports include contributions to Repairs and Renewals Funds rather than the actual expenditure reflected in the accounts.

Notes to the Main Financial Statements

The income and expenditure of the Council's service portfolios recorded in the budget reports for the year and how it reconciles to that included in the net cost of services in the Comprehensive Income and Expenditure Statement is as follows:

(£000s)	2015/16	2014/15
Net Expenditure for the year as reported to management		
General Fund		
<i>Community Services</i>		
City Centre and Public Places	2,420	2,753
Community Arts and Recreation	7,440	7,955
	9,860	10,708
<i>Environment</i>		
Environment, Waste and Public Health	7,728	7,776
Planning Policy and Transport	(974)	(266)
	6,754	7,510
<i>Housing</i>		
Housing General Fund	3,311	3,186
<i>Strategy & Resources</i>		
Finance and Resources	(6,780)	(5,999)
Strategy and Transformation	3,189	2,658
	(3,591)	(3,341)
Total General Fund	16,334	18,063
Housing Revenue Account		
Housing – HRA	(18,096)	(13,870)
	(1,762)	4,193
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(5,698)	(8,997)
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	7,460	4,175
Cost of Services in the Comprehensive Income and Expenditure Statement	0	(629)

Notes to the Main Financial Statements

This reconciliation (analysed subjectively) shows how the figures for the income and expenditure included in the reports to management relate to the Surplus or Deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Financial year 2015/16

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(77,110)	0	3	(789)	12,070	(65,826)
Interest and investment income	(890)	(466)	0	(13,439)	(8,267)	(23,062)
Income from council tax	0	(7,000)	0	(17)	0	(7,017)
Income from non-domestic rates	0	(1,132)	0	(2,672)	0	(3,804)
Gain on disposal of assets and other capital receipts	0	0	0	(3,112)	0	(3,112)
Government grants, donations and contributions	(40,683)	(9,038)	0	(5,283)	0	(55,004)
Total Income	(118,683)	(17,636)	3	(25,312)	3,803	(157,825)
Employee expenses	23,912	0	0	747	12,858	37,517
Other service expenses	65,775	0	(633)	6,773	(3,465)	68,450
Recharges	14,208	0	0	0	(14,208)	0
Depreciation, amortisation and impairment	13,024	186	(19)	(13,378)	1,119	932
Interest payments	2	7,542	(11)	3,997	(107)	11,423
Payments to Housing Receipts Pool	0	0	0	857	0	857
Total Expenditure	116,921	7,728	(663)	(1,004)	(3,803)	119,179
(Surplus) / Deficit on the provision of services	(1,762)	(9,908)	(660)	(26,316)	0	(38,646)

Notes to the Main Financial Statements

Financial year 2014/15

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(77,864)	0	33	(102)	12,276	(65,657)
Interest and investment income	(484)	(278)	0	(3,499)	(7,879)	(12,140)
Income from council tax	0	(6,706)	0	105	0	(6,601)
Income from non-domestic rates	0	(3,853)	0	523	0	(3,330)
Gain on disposal of assets and other capital receipts	0	0	0	(5,143)	0	(5,143)
Government grants, donations and contributions	(40,406)	(8,503)	0	(4,616)	0	(53,525)
Total Income	(118,754)	(19,340)	33	(12,732)	4,397	(146,396)
Employee expenses	23,471	0	0	1,007	13,159	37,637
Other service expenses	67,931	0	(3,328)	4,922	(3,005)	66,520
Recharges	15,552	0	0	0	(15,552)	0
Depreciation, amortisation and impairment	15,991	95	0	(14,722)	1,060	2,424
Interest payments	2	7,502	(8)	4,111	(59)	11,548
Payments to Housing Receipts Pool	0	0	0	1,279	0	1,279
Total Expenditure	122,947	7,597	(3,336)	(3,403)	(4,397)	119,408
(Surplus) / Deficit on the provision of services	4,193	(11,743)	(3,303)	(16,135)	0	(26,988)

10 Agency Services

Box Office Services

The Council operated a box office for private promoters for performances and events held at the Corn Exchange. Gross income collected and paid over to promoters was £3,141,000 in 2014/15, but £0 in 2015/16 following the transfer of services to Cambridge Live with effect from 1 April 2015.

Notes to the Main Financial Statements

11 Members' Allowances

The total allowances paid to members during the financial year 2015/16 were £247,154 (£244,295 in 2014/15) as analysed below. Details of payments to individual members are published annually in a local newspaper.

(£)	2015/16	2014/15
Basic allowance payments	116,842	116,146
Special responsibility payments	127,110	125,057
Childcare allowance	295	534
Travel and subsistence payments:		
Subsistence	111	323
Travel claims	270	629
Travel warrants	1,479	555
Taxi fares	201	169
Mileage claims	846	882
	247,154	244,295

Additional civic responsibility payments were made to the Mayor and Deputy Mayor outside of the Members Allowances Scheme. These totalled £5,810 (£5,810 in 2014/15).

12 Related Party Transactions

The Council is required to disclose material transactions with related parties. Related parties are 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.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (for example, Housing Benefits). Details of government grants received are set out in Note 31.

Voluntary Organisations

Members of the Council have direct control over the Council's financial and operating policies. During 2015/16 the Council gave grant funding and paid for projects and services totalling £165,923 (£159,762 in 2014/15) to voluntary organisations in which 5 (6 in 2014/15) members or their close family were in positions of influence. £2,950 (£0 in 2014/15) of these amounts were unpaid at the year end.

The relevant members did not take part in any discussion or decision relating to these organisations.

Notes to the Main Financial Statements

Cambridge Live

The Council transferred the running of the Cambridge Folk Festival, Corn Exchange and other aspects of the arts and recreation service to a new arts trust charity, Cambridge Live, a company limited by guarantee, on 1 April 2015. Two members of the Council are appointed as trustees, and the Articles of Association require a minimum of 11 trustees. The Council is therefore not considered to have significant influence over the trust. At 1 April 2015 the Council granted a lease of relevant premises (The Corn Exchange, Parson's Court Offices and Wheeler Street Box Office) at a peppercorn rent for 25 years.

As disclosed in note 24, the Council has made a loan to the company for start-up costs. This totals £124,760 at 31 March 2016 (£108,684 at 31 March 2015) and is due to be repaid from 2017/18. No interest is due on the repayment. The Council paid £506,170 to the company under a contract for services in 2015/16, together with a s106 grant for artwork of £8,000 and a further payment towards works on the Corn Exchange of £34,575.

The Council paid over ticket balances, and other income remitted to it and due to the company in 2015/16. The Council has also recharged the company for its share of costs including utilities. At the year-end short term creditors with Cambridge Live and its trading subsidiary were £50,711 (£2,295,821 at 31 March 2015). At the year-end short term debtors were £25,001.

Visit Cambridge and Beyond

The Council transferred the provision of tourism services to Visit Cambridge and Beyond (VCB), a company limited by guarantee, on 1 February 2016. There are 12 directors, of which one is appointed by the City Council. The Council is therefore not considered to have significant influence over the company. As disclosed in note 24 start-up costs of £90,306 were paid by the Council on behalf of the company and are due for repayment by the company starting in 2019. No interest is due on the repayment.

The Council has paid over income due to VCB and recharged it for its share of costs, including utilities and rent for offices at the Guildhall which is determined on a commercial basis. At 31 March 2016 short term debtors were £9,847 and short term creditors were £42,211.

The Council paid the grant subsidy of £51,780 due to VCB in respect of 2016/17 in advance and this is included within payments in advance at the year end.

Shared service with other local authorities

The Council shares a number of services with Huntingdonshire District Council and South Cambridgeshire District Council. These include ICT, Building Control, and Legal, which commenced on 1 October 2015 under the banner of 3Cs Shared Services. There is a lead authority for each service and the Council accounts for shared service transactions in its accounts in accordance with *The Code of Practice on Local Authority Accounting*.

No other material transactions have been identified for disclosure which are not already included elsewhere in this Statement of Accounts.

13 Employee Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Notes to the Main Financial Statements

	2015/16	2014/15
£50,000 to £54,999	2	2
£55,000 to £59,999	1	4
£60,000 to £64,999	2	2
£65,000 to £69,999	6	6
£70,000 to £74,999	5	3
£80,000 to £84,999	0	1
£85,000 to £89,999	0	2
£90,000 to £94,999	3	1
£115,000 to £119,999	0	1
£120,000 to £124,999	1	0
Total	20	22

The remuneration of senior officers, who are included in the above table, is disclosed in more detail, including employer's pension contributions, below:

Financial year 2015/16

(£) Position / Name	Note	Salary	Honorarium	Pension Contribution	Total
Chief Executive (A Jackson)	1	122,503	0	21,315	143,818
Director of Environment (S Payne)		93,729	0	16,309	110,038
Director of Customer & Community Services (L Bisset)		93,729	0	16,309	110,038
Director of Business Transformation (R Ward)		90,419	0	15,733	106,152
Head of Corporate Strategy (A Limb)		69,452	0	12,085	81,537
Head of Finance (Section 151 Officer) (C Ryba)		69,452	0	12,085	81,537

Notes:

- 1 The Chief Executive received Election Payments of £6,957 in addition to the above.

Notes to the Main Financial Statements

Financial year 2014/15

(£) Position / Name	Note	Salary	Honorarium	Pension Contribution	Total
Chief Executive (A Jackson)	1	117,859	0	20,961	138,820
Director of Environment (S Payne)		89,089	0	15,502	104,591
Director of Customer & Community Services (L Bisset)		92,350	2,000	16,417	110,767
Director of Business Transformation (R Ward)		89,089	0	15,502	104,591
Head of Corporate Strategy (A Limb)	2	68,431	0	11,907	80,338
Head of Finance (Section 151 Officer) (C Ryba)	3	49,029	0	8,531	57,560

Notes:

- 1 The Chief Executive received Election Payments of £2,609 in addition to the above.
- 2 The Head of Corporate Strategy received Election Payments of £500 in addition to the above.
- 3 The Head of Finance joined the Council on 14 July 2014.

Between April and July 2014 the Section 151 (Chief Financial Officer) role was undertaken by Alex Colyer, the Executive Director, Corporate Services and Chief Finance Officer of South Cambridgeshire District Council. The Council paid South Cambridgeshire £5,307 for this service.

The Council is required to recognise the costs of redundancy in the accounts in line with accounting standards. This means that the cost recognised in the accounts includes estimates for staff where the Council made the redundancy decision in 2015/16, but the staff will not leave and receive any exit payment until 2016/17. The number of exit packages recognised in the accounts, analysed between compulsory redundancies and other departures, and the total cost per band are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £20,000	8	8	0	0	8	8	97	82
£20,001 - £40,000	4	3	0	0	4	3	99	88
£40,001 - £60,000	1	0	0	0	1	0	42	0
£60,001 - £80,000	2	0	0	0	2	0	146	0
£80,001 - £100,000	2	0	0	0	2	0	165	0
£100,001 - £150,000	1	0	0	0	1	0	119	0
Total	18	11	0	0	18	11	668	170

Notes to the Main Financial Statements

The cost of exit packages includes the capital costs of early retirements (which are not relevant in every case) due to be paid to the Local Government Pension Scheme by the Council. These costs are disclosed as post-employment benefit costs within non-distributed costs on the Comprehensive Income and Expenditure Statement.

Prior year bandings and the total cost of exit packages have been restated where there were differences between the estimated cost of departure as used in the note in last year's accounts and the actual cost.

In 2015/16 the Council has undertaken significant restructuring of services including reducing the number of senior managers to deliver long term savings to the Council.

The 3Cs shared service arrangement with Huntingdonshire District Council (HDC) and South Cambridgeshire District Council (SCDC) commenced on 1 October 2015. As part of the set-up costs of the shared services, the councils agreed to share exit costs in some circumstances.

SCDC and HDC have agreed to contribute £47,000 towards the exit costs above incurred in respect of staff now employed by the City Council, which is included in other local authority debtors at 31 March 2016.

In addition to the costs above the City Council has agreed to contribute £148,000 in respect of exit costs incurred by HDC. This is included in amounts owed to other local authorities at 31 March 2016.

14 Audit Costs

Cambridge City Council incurred the following fees relating to external audit.

(£000s)	2015/16	2014/15 (restated)
Fees payable to the appointed external auditor in respect of:		
External audit services	52	68
Certification of grant claims and returns	15	24
	67	92

Notes to the Main Financial Statements

15 Property, Plant and Equipment

Financial year 2015/16

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation								
At 1 April 2015	538,100	128,892	18,185	3,579	1,151	197	13,290	703,394
Additions	10,124	230	1,512	533	22	0	30,003	42,424
Revaluation increases/(decreases) recognised in the revaluation reserve	21,822	9,901	0	0	0	608	0	32,331
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	9,329	1,539	0	0	0	0	1,351	12,219
Derecognition – disposals	(3,271)	0	(279)	0	0	0	0	(3,550)
Derecognition – other	(445)	(70)	0	0	0	(69)	(6)	(590)
Assets reclassified from Investment Properties	(120)	(2,130)	0	0	0	3,000	0	750
Assets reclassified (to) / from held for sale	(381)	0	(236)	0	0	0	(275)	(892)
Assets reclassified (to) / from other categories of property, plant and equipment	11,783	87	544	150	0	(54)	(12,510)	0
At 31 March 2016	586,941	138,449	19,726	4,262	1,173	3,682	31,853	786,086
Accumulated Depreciation and Impairment								
At 1 April 2015	0	(6,037)	(9,665)	(454)	0	0	0	(16,156)
Depreciation charge	(8,517)	(3,816)	(1,683)	(105)	0	(2)	0	(14,123)
Depreciation written out to the Revaluation Reserve	8,460	8,168	0	0	0	0	0	16,628
Derecognition – disposals	51	0	94	0	0	0	0	145
Derecognition – other	0	6	0	0	0	2	0	8
Impairments	0	0	(4)	0	0	0	0	(4)
Assets reclassified to / from Held for Sale	6	0	214	0	0	0	0	220
Assets reclassified to / from other categories of property, plant and equipment	0	0	0	0	0	0	0	0
Other movements	0	0	0	1	0	0	0	1
At 31 March 2016	0	(1,679)	(11,044)	(558)	0	0	0	(13,281)
Net Book Value								
At 31 March 2016	586,941	136,770	8,682	3,704	1,173	3,682	31,853	772,805
At 31 March 2015	538,100	122,855	8,520	3,125	1,151	197	13,290	687,238

Notes to the Main Financial Statements

Financial year 2014/15

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation								
At 1 April 2014	497,772	127,172	17,259	2,589	1,122	5,230	6,365	657,509
Additions	13,248	1,403	1,733	945	15	0	9,927	27,271
Revaluation increases/(decreases) recognised in the revaluation reserve	14,280	5,069	0	0	0	4	(32)	19,321
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	15,025	(2,146)	0	0	0	2	0	12,881
Derecognition – disposals	(3,778)	0	(412)	0	0	0	(34)	(4,224)
Derecognition – other	(344)	(949)	0	0	0	(2,662)	(11)	(3,966)
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(26)	(26)
Assets reclassified from Investment Properties	0	400	0	0	0	0	0	400
Assets reclassified (to) / from held for sale	0	(3,294)	(489)	0	0	(1,977)	0	(5,760)
Assets reclassified (to) / from other categories of property, plant and equipment	1,897	1,237	94	45	14	(400)	(2,899)	(12)
At 31 March 2015	538,100	128,892	18,185	3,579	1,151	197	13,290	703,394
Accumulated Depreciation and Impairment								
At 1 April 2014	0	(4,334)	(8,902)	(378)	0	(122)	0	(13,736)
Depreciation charge	(10,035)	(3,451)	(1,645)	(76)	0	(113)	0	(15,320)
Depreciation written out to the Revaluation Reserve	9,954	1,704	0	0	0	2	0	11,660
Derecognition – disposals	77	0	409	0	0	0	0	486
Derecognition – other	0	41	0	0	0	144	0	185
Assets reclassified to / from Held for Sale	0	1	470	0	0	83	0	554
Assets reclassified to / from other categories of property, plant and equipment	4	2	0	0	0	6	0	12
Other movements	0	0	3	0	0	0	0	3
At 31 March 2015	0	(6,037)	(9,665)	(454)	0	0	0	(16,156)
Net Book Value								
At 31 March 2015	538,100	122,855	8,520	3,125	1,151	197	13,290	687,238
At 31 March 2014	497,772	122,838	8,357	2,211	1,122	5,108	6,365	643,773

Notes to the Main Financial Statements

16 Property - Revaluations

The Council carries out a rolling programme that ensures that Property, Plant and Equipment to be revalued are done so at least every five years.

Current year revaluations were carried out by Independent External Valuers (all RICS registered) in accordance with the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) issued by the Royal Institution of Chartered Surveyors and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16:

Guy Harbord MA MRICS IRRV(Hons) (Wilks Head and Eve)

Amanda Briggs BA (Hons) MRICS (Bidwells LLP)

Anna Groom MA MRICS (Bidwells LLP)

Clare Sale MRICS (Bidwells LLP)

Duncan Wisbey MRICS (Bidwells LLP)

The valuation of operational property was on the basis of existing use value except for specialised operational assets which were assessed on the basis of depreciated replacement cost. Further detail on the basis for valuation is set out in the statement of accounting policies on page 98.

The following statement should be noted with regard to the valuations carried out by Bidwells LLP:

In reaching the final valuation figures Bidwells has departed from the RICS Valuation – Professional Standards in that they have not been instructed to inspect the properties or read all the leases. For all the properties they undertook external inspections only and have relied on information provided by Cambridge City Council and the accuracy of the valuation depends on the accuracy of the information provided.

In accordance with the Valuation Standards, Bidwells confirms that it last valued the properties in 2015 and has acted as valuer for Cambridge City Council since March 1994. They also confirm that in their last financial year the fees received from Cambridge City Council represented less than 5% of their turnover and they do not expect any material increase in these fees in 2016. Bidwells has a policy of rotating personnel undertaking this valuation so that no single valuer values the portfolio for more than seven consecutive years. This rotation is undertaken in accordance with Bidwells Management System under ISO 9001:2000

The Council has chosen to depart from the Professional Standards on the grounds of achieving best value for money in relation to property valuation work.

Surplus properties are valued at fair value (at level 3 of the fair value hierarchy) as at 31 March 2016. This value represents the development potential based on a value per net developable acre taking into account planning risk. If the value per acre falls or the planning risk increases the fair value will fall. The impact of this valuation is an unrealised gain of £680,000 to the revaluation reserve as recognised in the surplus on revaluation of property, plant and equipment in other comprehensive income and expenditure.

Notes to the Main Financial Statements

The following table shows the current carrying value of Property, Plant and Equipment assets by the date of the most recent valuation:

(£000s)	Council Dwellings	Other Land and Buildings	Surplus Assets	Total
Valued at fair value as at:				
31 March 2016	586,941	124,503	3,682	715,126
31 March 2015	0	4,409	0	4,409
31 March 2014	0	2,986	0	2,986
31 March 2013	0	690	0	690
31 March 2012	0	4,601	0	4,601
Total Valuation	586,941	137,189	3,682	727,812

Details on investment property valuation can be found in Note 21.

Vehicles, Plant and Equipment as short life operational assets, are held at historical cost less depreciation as a proxy for fair value.

17 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. Flats are assessed as having a remaining life of 45 years and houses 46 years. The Council changed the estimation basis for the remaining lives of dwellings in 2015/16 as detailed in note 42.

The useful lives of other assets are generally estimated as:

- Infrastructure Assets – 10 to 40 years
- Other buildings (main structure) – 5 to 90 years. Material components may be depreciated over a lesser term.
- Vehicles, Plant and Equipment – 3 to 25 years

Notes to the Main Financial Statements

18 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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.

(£000s)	2015/16	2014/15
Opening Capital Financing Requirement	216,012	215,906
Capital Expenditure		
Property, Plant and Equipment	42,424	27,271
Investment Properties	9,839	164
Intangible Assets	18	53
Non-current assets held for sale	163	114
Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure		
Revenue Expenditure Funded from Capital	4,304	1,428
De-minimis capital expenditure	960	695
Loans Advanced		
Private Sector Housing Improvement Loans	23	35
Purchase of Shares		
Local Government Finance Company	0	50
Revaluation losses on non-dwelling HRA assets charged to the Comprehensive Statement of Income and Expenditure	(186)	(96)
Sources of finance		
Capital receipts	(11,010)	(7,178)
Government grants and other contributions	(8,520)	(4,237)
Revenue and reserves	(33,591)	(18,193)
Other movements	(3)	0
Closing capital financing requirement	220,433	216,012

Notes to the Main Financial Statements

19 Capital Commitments

At 31 March 2016, the Council was contractually committed to capital work valued at approximately £28.9 million, as shown in the following table.

(£000s)	31 March 2016	31 March 2015
Property, Plant and Equipment		
Clay Farm Community Centre	6,717	217
Vehicle asset replacements	185	178
HRA New Build Properties	14,745	9,743
Housing Capital Programme	2,128	1,926
General Fund Property Acquisition for Housing Company	1,745	0
Bus shelters	75	0
Replacement telecommunications and LAN	188	0
Assets held for sale/Property Plant and Equipment		
Land at Clay Farm	731	1,692
Assets Held For Sale		
Development land on Kings Hedges Road	0	67
Investment Properties		
Lion Yard contribution to works	0	78
Clay Farm commercial property construction costs	253	0
Commercial properties asset replacement	131	0
Revenue Expenditure Funded from Capital Under Statute		
Private Sector Housing Improvements	0	284
Community Development Grants Programme	115	121
Green Deal Grants	1,892	2,274
	28,905	16,580

Notes to the Main Financial Statements

20 Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

(£000s)	2015/16	2014/15
Rental income from investment property	(8,266)	(7,879)
Direct operating expenses arising from investment property	395	365
Net gain	(7,871)	(7,514)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the receipt of income and the proceeds of disposal.

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

(£000s)	2015/16	2014/15
Balance at start of the year	121,765	118,529
<i>Additions:</i>		
Subsequent expenditure	213	164
Acquisitions	9,626	0
Unrealised gains/(losses) recognised in Financing and Investment Income line in Surplus/Deficit on the provision of services from fair value adjustments	13,420	3,472
<i>Transfers:</i>		
(To) / from Property, Plant and Equipment	(750)	(400)
Balance at the end of the year	144,274	121,765
Acquisitions included above measured at historic cost	(179)	0
Fair value at year end	144,095	121,765

Notes to the Main Financial Statements

21 Fair Value Measurement of Investment Properties

Investment properties are held at fair value, with the exception of investment properties under construction where it is too soon to measure fair value reliably. These assets are held at historic cost.

Investment properties are classified as Level 3 within the value hierarchy as defined within IFRS13. Level 3 inputs used in valuing the properties are those which are unobservable and observable inputs where significant adjustments have been applied to determine specific property valuations, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e as prices, or indirectly, i.e derived from prices).

The portfolio is valued in line with the accounting policy detailed on page 94.

The valuation is undertaken by Bidwells LLP, on a fair value basis in line with IFRS 13 and in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. Further details of Bidwells approach to the valuations can be found in Note 16.

The Council provides data to the valuers, including current lease and tenant data. The valuers use this and other inputs, including market transactions for similar properties, to produce valuations. These valuations and the assumptions they have made have been discussed with senior Council finance and property officers.

The following table shows an analysis of the fair values of investment property recognised in the balance sheet.

Property Class	Fair Value at 31 March 2016	Predominant Valuation technique	Key unobservable inputs	Range
Retail	36,505	Investment	Market Rent (psf) Market Rent (psf ZA) EY yield	£8.60 - £41.00 £12.75 - £195 4.75% - 16.5%
Central Cambridge Shopping Centres	39,000	Investment	NIY Yield	4.0%
Offices	4,641	Investment	Market Rent (psf) EY yield	£8.60 - £23.50 7.4% - 11.0%
Industrial	7,460	Investment	Market Rent (psf) EY yield	£6.00 - £15.50 7.4% - 11.0%
Land	29,203	Investment / Comparable	Market Rent (per acre) NIY yield £/acre	£10,000 - £52,270 3.0% - 7.0% £130,000 - £1,000,000
Leisure	2,657	Investment	EY yield	7.49% - 15.0%
Other	24,629	Investment	Yield	2.4% - 15.0%
Total	144,095			

Notes to the Main Financial Statements

The predominant valuation techniques are:

Investment Method

This involves estimating the rental value of each lettable part of the property, making an assessment of void periods and associated costs and then capitalising at an appropriate yield. Hope value is included where there is future reversionary potential such as conversion to residential use.

Comparable Method

The opinion of value was primarily derived using comparable recent market transactions on an arm's length basis with appropriate adjustments.

Sensitivity Analysis

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy on investment property are:

- Market Rent – this is estimated for each lettable unit by comparison with recent lettings from within the property itself or nearby making appropriate adjustments for size, specification, location and incentives.
- Voids – an estimate of the likely period required to relet vacant property and the likelihood of lease renewal.
- Yield – opinion on the appropriate capitalisation rate to be applied by reference to transactions for comparable properties.

Significant increases/(decreases) in the rental value would result in a higher/(lower) fair value measurement.

Significant increases/(decreases) in the long term vacancy rate or yield would result in a lower/(higher) fair value measurement.

The current use of investment properties is highest and best use, with the exception of property in the Cambridge Northern Fringe East development area which is let out on a short term basis (with the Council able to exercise break clauses) pending redevelopment.

22 Leases

Council as Lessee

Finance Leases

The carrying value of investment properties held under finance leases was £1,660,000 at 31 March 2016 (£1,660,000 at 31 March 2015). Secondary lease payments of £2,247 in each of 2014/15 and 2015/16 were accounted for as finance costs. This annual charge will continue until 2035.

These relate to industrial units held under finance leases which are then leased out under operating leases and the total minimum lease payments are £135,709 at 31 March 2016 (£53,866 at 31 March 2015).

Notes to the Main Financial Statements

The Council leases in three car parks under long-term peppercorn leases. The carrying value of these car parks included in Property, Plant and Equipment was £35,260,000 at 31 March 2016 (£25,027,500 at 31 March 2015).

Operating Leases

The Council leases in a number of operational properties and some equipment under operating leases.

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

(£000s)	31 March 2016	31 March 2015
Not later than one year	179	80
Later than one year and not later than five years	441	250
Later than five years	0	0
	620	330

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

(£000s)	2015/16	2014/15
Minimum lease payments	221	371

Council as Lessor

Operating Leases

The Council leases out commercial properties across the City under operating leases. The portfolio includes shops, industrial units and shopping centres.

The future minimum lease payments receivable, under leases which cannot be cancelled, are:

(£000s)	31 March 2016	31 March 2015
Not later than one year	4,458	3,761
Later than one year and not later than five years	13,187	10,615
Later than five years	102,290	95,610
	119,935	109,986

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2015/16 £2,241,047 of contingent rents were receivable by the Council (2014/15 £2,160,045).

Notes to the Main Financial Statements

23 Short-Term and Long-Term Investments

(£000s)	2015/16		2014/15	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic banks and their UK subsidiaries	0	41	0	101
Other investments	32,050	56,760	15,484	86,217
	32,050	56,801	15,484	86,318

Investments in Icelandic Banks and their UK Subsidiaries

In October 2008, a number of Icelandic Banks and their UK subsidiaries went into administration.

The Council had £5 million deposited with Landsbanki Islands hf (subsequently renamed LBI hf), and £4 million with its UK subsidiary, Heritable Bank Plc.

All monies within these institutions are subject to their respective administration and receivership processes.

The overall position in respect of both institutions is summarised as follows:

(£000s)	2015/16		2014/15	
	Heritable Bank Plc	LBI hf	Heritable Bank Plc	LBI hf
Balance sheet carrying value				
Short term investments	41	0	101	0
Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account	(102)	0	0	(63)
Cash received	162	0	0	2,040

LBI hf

The Council sold its remaining claims against the insolvent estate of LBI in autumn 2014.

Heritable Bank Plc

The Council has received 98% of its claim to date. The administrators have not given any firm indications as to the likely timing and scale of further dividends, but given the information available to it, the Council has assumed an overall recovery of 99%.

Notes to the Main Financial Statements

24 Long-Term Debtors

Long-term debtors which fall due after a period of at least one year:

(£000s)	31 March 2016	31 March 2015
Mortgages	1	1
Grand Arcade reverse lease premium	200	205
Private sector housing improvement loans	815	793
Sale of land at Kings Hedges	30	30
Long term loan – Kelsey Kerridge Sports Centre	0	1
Cambridge Live	125	109
Visit Cambridge and Beyond	90	0
Employee Loans	2	0
Mortgage Repossessions Loans	7	7
	1,270	1,146

25 Assets Held for Sale

(£000s)	Current	
	2015/16	2014/15
Balance at 1 April	9,707	4,492
Assets newly classified as held for sale:		
Property, plant & equipment	672	5,207
Transfers between current and long term assets held for sale	0	0
Assets sold	(7,331)	(3,469)
Clay Farm change in estimate of value – Revaluation Reserve	0	3,217
Clay Farm change in estimate of value – Reverse previous impairment loss	0	152
K1 Site – change in estimate of value – reverse previous loss in I&E	1,096	0
Enhancement expenditure	163	114
Impairment losses	(12)	(5)
Balance at 31 March	4,295	9,707

The 2014/15 and 2015/16 impairment losses relates to vehicles.

Notes to the Main Financial Statements

26 Debtors

(£000s)	31 March 2016	31 March 2015
Central government bodies	2,508	1,371
Other local authorities	2,065	963
NHS bodies	10	32
Council tax payers (City share)	383	500
National non domestic rate payers (City share)	152	270
Council tax payers (precepting bodies share)	1,285	1,658
Housing tenants and leaseholders	349	477
Trade and other	6,518	6,519
	13,270	11,790

27 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

(£000s)	31 March 2016	31 March 2015
Cash held by the Council	0	4
Bank current accounts	1,626	864
Bank deposit accounts	7,560	6,400
	9,186	7,268

28 Short-Term Creditors

(£000s)	31 March 2016	31 March 2015
Central government bodies	(4,934)	(2,984)
Other local authorities	(3,119)	(2,174)
Other entities and individuals	(9,841)	(12,202)
	(17,894)	(17,360)

Notes to the Main Financial Statements

29 Receipts in Advance

(£000s)	31 March 2016	31 March 2015
Cambridge City Council share of council tax receipts in advance	(296)	(385)
Cambridge City Council share of non-domestic rates receipts in advance	(689)	(644)
Capital grants receipts in advance	(47)	(75)
Housing tenants and leaseholders	(845)	(1,128)
Other	(1,836)	(2,055)
	(3,713)	(4,287)

30 Provisions

Insurance Provision

The insurance provision has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However, the actual cost (if any) of individual claims and the timing of payments are uncertain and may be dependent upon the results of negotiation and/or legal action.

Under current insurance arrangements, the Council takes responsibility for meeting the first £10,000 of any liability claim up to a total combined loss in any insurance year of £200,000. For motor claims the Council takes responsibility for meeting the first £10,000 of any claim. For property losses, the Council is responsible for meeting up to £150,000 of claims in respect of General Fund property from the provision and up to £250,000 for HRA property from the HRA. The Council's external insurers meet claims or losses in excess of these amounts.

Business Rates Appeals Provision

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. The Council's share of business rates income is 40%.

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2016 following successful rating valuation appeals. This estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. The timing of the settlement of these appeals is uncertain as they are outside of the Council's control.

Notes to the Main Financial Statements

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
Balance at 1 April 2015	(692)	(3,544)	(9)	(4,245)
Additional provisions made in 2015/16	(221)	(1,095)	(251)	(1,567)
Amounts used in 2015/16	163	834	0	997
Unused amounts reversed in 2015/16	104	0	0	104
Balance as at 31 March 2016	(646)	(3,805)	(260)	(4,711)

31 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

(£000s)	2015/16	2014/15
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(3,012)	(4,311)
New Homes Bonus	(4,976)	(3,389)
New Burdens and Transitional Grants	(86)	(112)
Individual Electoral Registration Grants	(103)	(128)
Homelessness Grants	(196)	(103)
Site Delivery Planning Grant	0	(50)
Small Business Rate Relief Grant	(311)	(283)
Other Business Rate Relief Grants	(653)	(407)
Welfare Reform Grants	(122)	0
Other Capital grants and contributions	(4,925)	(4,216)
	(14,384)	(12,999)
Credited to Services		
Discretionary Housing Payments	(149)	(183)
Rent Allowance and Rent Rebates Admin Subsidy	(480)	(526)
Rent Allowance Subsidy	(19,196)	(18,775)
Rent Rebates Subsidy	(19,017)	(19,062)
Non HRA Rent Rebates Subsidy	(477)	(295)
Other Housing Benefit Grants	(75)	(156)
Other capital grants and contributions	(358)	(400)
	(39,752)	(39,397)

Notes to the Main Financial Statements

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

(£000s)	31 March 2016	31 March 2015
Capital Grants Receipts in Advance		
Due within 12 months	(47)	(75)
Due in more than 12 months	(7,778)	(8,087)
Total	(7,825)	(8,162)

32 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 4 and 5.

33 Unusable Reserves

(£000s)	31 March 2016	31 March 2015
Deferred Capital Receipts Reserve	(3,979)	(3,226)
Revaluation Reserve	(147,009)	(104,993)
Capital Adjustment Account	(555,750)	(499,567)
Financial Instruments Adjustment Account	80	90
Pensions Reserve	106,762	124,811
Collection Fund Adjustment Account	1,847	4,536
Available for Sale Reserve	(2)	566
Accumulated Absences Account	455	483
Total Unusable Reserves	(597,596)	(477,300)

Deferred Capital Receipts Reserve

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

(£000s)	2015/16	2014/15
Balance at 1 April	(3,226)	(45)
Deferred sale proceeds on disposal of non-current assets	(3,403)	(3,193)
Transfer to the Capital Receipts Reserve upon receipt of cash	2,650	12
Balance at 31 March	(3,979)	(3,226)

Notes to the Main Financial Statements

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

(£000s)	2015/16	2014/15
Balance at 1 April	(104,993)	(72,434)
Net (gains) / losses on revaluations during the year	(49,069)	(34,239)
Amounts written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	1,821	1,474
Accumulated gains on assets sold or scrapped	5,232	206
Balance at 31 March	(147,009)	(104,993)

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 as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

Notes to the Main Financial Statements

(£000s)	2015/16	2014/15
Balance at 1 April	(499,567)	(480,287)
Charges for depreciation and impairment of non-current assets	14,124	15,319
Revaluation (gains)/losses on property, plant and equipment	(12,406)	(12,977)
Impairment losses on assets held for sale	(1,084)	(146)
Impairments on property, plant and equipment	4	0
Amortisation of intangible assets	108	130
Revenue expenditure funded from capital under statute and de minimis capital spend	5,264	2,123
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	6,159	10,780
Depreciation in excess of historic cost transfer from revaluation reserve	(1,821)	(1,474)
Use of the Capital Receipts Reserve to finance new capital expenditure	(11,010)	(7,178)
Use of the Major Repairs Reserve to finance new capital expenditure	(6,892)	(10,629)
Application of grants and contributions to capital financing	(8,520)	(4,237)
Private sector housing loans	10	45
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(26,699)	(7,564)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(13,420)	(3,472)
Balance at 31 March	(555,750)	(499,567)

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 pensions funds or eventually pays any pensions for which is it 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. Further details on pension transactions are shown in note 37.

Notes to the Main Financial Statements

(£000s)	2015/16	2014/15
Balance at 1 April	124,811	95,201
Remeasurements of the net defined benefit liability/(asset)	(22,821)	24,477
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	10,494	10,228
Employer's pension contributions and direct payments to pensioners payable in the year	(5,722)	(5,095)
Balance at 31 March	106,762	124,811

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

(£000s)	2015/16	2014/15
Balance at 1 April	4,536	3,395
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(17)	105
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different to the non-domestic rates income calculated for the year in accordance with statutory requirements	(2,672)	1,036
Balance at 31 March	1,847	4,536

34 Contingent Liabilities

Legal Cases

There is a judicial review application in respect of an arboricultural issue. If the applicant obtains the court's permission for a judicial review hearing, and is ultimately successful, the Council may be liable for some or all of the claimant's costs.

The Council's housing planned maintenance contractor was notified in late 2015 of the reduced work programme they could expect for 2016/17, following a review of replacement cycles in relation to the HRA stock. There is no guaranteed volume of annual work included in the planned maintenance contract but there is a commitment for the parties to work collaboratively. Two workstreams particularly hit were the kitchen and bathroom replacements and it is in these two areas in particular where TUPE transferred ex Council employees are principally employed.

The contractor responded by raising the possibility of redundancies in the TUPE workforce and have since proceeded to reduce their workforce using voluntary severance arrangements. Having taken advice, the contractor has claimed that, contractually, the redundancy costs should rest with the Council. The Council has rejected any responsibility for the severance costs which is a view

Notes to the Main Financial Statements

strongly supported by its own legal advisers and is a position consistent with current practice elsewhere.

The contractor has indicated that they may consider a more formal approach in order to reclaim payment for the severance costs incurred. Any claim would be rejected by the Council and if further challenged would have to be referred to adjudication in accordance with the terms of the contract which exists between the parties.

Rating List Proposal

The Council has been informed by the Valuation Office Agency (VOA) of a proposal made by a business rates payer to merge their national network, which currently appears in individual council rating lists nationwide, into a single listing forming one hereditament in one council area. The proposal is with effect from 1 April 2010.

The VOA need to consider this proposal and at this stage are unable to give any indication of the likelihood of the proposal succeeding or how long the proposal will take to determine.

The rateable value of the network in the Council's area is £675,000 and it has been estimated that if the proposal were accepted the backdated loss of business rates income to the 31 March 2016 to the Collection Fund would be in the order of £1.9 million. The Council's share of this loss would be £743,000.

Given the information available to it, the Council does not currently assess that it is probable that the VOA will accept the proposal and has therefore not provided for the impact in the 2015/16 accounts.

NHS Trusts

During January and February 2016, NHS Trusts wrote to local authorities countrywide claiming charitable status and requesting mandatory relief from business rates under s.43(5) and (6) of the Local Government Act 1988, the request being backdated to 2010. If granted this would lead to a repayment of 80% of the rates paid. It has been estimated that the backdated loss of rates income to 31 March 2016 to the Collection Fund would be in the order of £12.1 million. The Council's share of this loss would be £4,857,000.

Legal advice obtained on behalf of the NHS Trusts is that they are charities. The Local Government Association (LGA) has sought legal advice on behalf of the affected councils. Counsel advice to the LGA is that NHS Trusts and Foundation Trusts are not charities, and that the applications for rate relief are therefore unfounded.

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35 Financial Instruments

Categories of Financial Instrument

The following categories of financial instrument are carried in the balance sheet:

(£000s)	Long Term		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015 (restated)
Investments				
Loans and receivables	22,000	6,000	46,728	69,296
Available-for-sale financial assets	10,000	9,434	10,073	17,021
Unquoted equity investment at cost	50	50	0	0
Debtors				
Loans and receivables	1,270	1,146	8,829	3,671
Creditors & Receipts in Advance				
Financial liabilities at amortised cost	(7,778)	(8,087)	(12,872)	(14,968)
Borrowing				
Financial liabilities at amortised cost	(213,572)	(213,572)	(82)	(82)
	(188,030)	(205,029)	52,676	74,938

31 March 2015 figures have been restated to show a reclassification of Certificates of Deposit (totalling £17,021,000) as available-for-sale assets rather than loans and receivables to better reflect their nature. This has no material effect on their valuation at this date.

Private Sector Housing Improvement Loans

The Council makes means-tested loans of up to £20,000 to individuals, secured on the value of their property, in order to fund major improvements. These loans are normally repayable on sale of the property. These loans are interest free and are therefore deemed to be soft loans which are included in the balance sheet as loans and receivables. The notional interest rate used for these loans is based on the Council's prevailing cost of borrowing for a maturity loan of 5 years duration. No allowance is made for the risk that the loans might not be repaid as they are secured.

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(£000s)	2015/16	2014/15
Balance sheet carrying value as at 1 April	793	769
Adjustment to opening values	4	0
Nominal value of new loans recognised in the year	23	35
Interest – increase in discounted amount	19	27
Loans repaid	(14)	(45)
Fair value adjustment	(10)	7
Balance sheet carrying value as at 31 March	815	793
Loan payments outstanding (nominal value) at 31 March	895	881

Income, Expense, Gains and Losses

The following items of income, expense, gain or loss are reflected in the Statement of Comprehensive Income and Expenditure in respect of financial instruments:

(£000s)	2015/16			2014/15		
	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables	Financial Assets – Available for Sale	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables (restated)	Financial Assets – Available for Sale (restated)
Interest expense	7,532	0	0	7,496	0	0
Reductions in fair value	0	10	0	0	0	0
Reversal of losses on impaired financial assets	0	(107)	0	0	(63)	0
Impairment losses	0	216	0	0	187	0
Total expense in Surplus on the Provision of Services	7,532	119	0	7,496	124	0
Increases in fair value	0	0	0	0	(7)	0
Interest Income	0	(710)	(666)	0	(673)	(116)
Total income in Surplus on the Provision of Services	0	(710)	(666)	0	(680)	(116)
(Gains)/Losses on revaluation	0	0	(568)	0	0	566
(Surplus) /deficit arising on revaluation of financial assets in Other Comprehensive Income &Expenditure	0	0	(568)	0	0	566

Notes to the Main Financial Statements

£41,000 of interest income in the comparative year has been moved from loans and receivables to available-for-sale assets following the reclassification of certificates of deposit.

Financial assets measured at fair value in the balance sheet

Available-for-sale financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2016 (£000s)	31 March 2015 (£000s)
Units in CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	10,000	9,434
Certificates of Deposit	Level 1	Unadjusted quoted prices in active markets for identical CDs	10,073	17,021
			20,073	26,455

Equity shares, as available-for-sale assets are required to be valued at fair value if material. The Council has made an exception to this treatment in respect of its shareholding in the UK Municipal Bonds Agency Plc. The shares in this company are carried at cost of £50,000 and have not been valued as a fair value cannot be measured reliably. The company is only recently established and has no trading history. There is no organisation which might provide comparable market data. The Council has no current intention to dispose of the shareholding

Fair value of financial assets and liabilities that are not measured at fair value (but for which fair value disclosures are required)

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value (assessed as level 2 in the fair value hierarchy) 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:

- ◆ An estimated interest rate at 31 March 2016 of 1.89% (2.15% at 31 March 2015) has been used to calculate the fair value of private sector housing improvement loans
- ◆ Estimated ranges of interest rates at 31 March 2016 of 2.95% to 3.12% for long term loans from the Public Works Loans Board (PWLb).
- ◆ No early repayment is recognised
- ◆ Where an instrument will mature in the next 12 months, the 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 value of capital contributions received in advance is taken to be the amount received

Notes to the Main Financial Statements

The fair values are assessed as follows:

(£000s)	31 March 2016		31 March 2015	
	Carrying amount	Fair Value	Carrying amount (restated)	Fair Value (restated)
Financial Liabilities at amortised cost				
Current liabilities	(12,872)	(12,872)	(14,968)	(14,968)
Long term liabilities	(7,778)	(7,778)	(8,087)	(8,087)
Short term borrowing	(82)	(82)	(82)	(82)
Long term borrowing	(213,572)	(233,206)	(213,572)	(278,397)
Loans and receivables:				
Long term debtors	1,270	1,270	1,146	1,146
Current debtors	8,829	8,829	3,671	3,671
Long term investments	22,000	22,001	6,000	5,973
Current investments	46,728	46,728	69,296	69,296

The comparative figures for current investments reflect the reclassification of Certificates of Deposit as available-for-sale assets as described above.

The fair value of the long term PWLB loans measures economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for a market transaction undertaken at the balance sheet date. The difference between the carrying amount and the fair value measure the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing rates.

The fair value of the loans from the PWLB have been assessed using the new loans rate. IFRS 13 and the Code require that in the absence of a quoted price for a liability, fair value should be measured from the perspective of a market participant. For PWLB loans, measurement is therefore required from the perspective of the PWLB, assessing the price that they would be able to secure if they were to sell the loans in an orderly market transaction. However, it is sometimes not possible to find observable active markets. The Council's treasury advisors have therefore advised using the PWLB new loan rate as a suitable proxy for a transfer value and that this is comparable to other government debt, for example that issued by Transport for London (TfL). This also reflects the reality that the Council has a continuing ability to borrow at PWLB rates.

However, if the Council were to seek to take advantage of the lower prevailing market rates by repaying current PWLB loans, the PWLB would charge a penalty and the Council would have to pay the early redemption rate. The exit price for PWLB loans including this penalty would be £281,067,000. The Council has calculated the fair value of PWLB loans on this basis in previous years, including 2014/15. As the new fair value requirements of IFRS 13 do not require restatement of prior years, the Council has not obtained an alternative fair value for 2014/15.

Notes to the Main Financial Statements

36 Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- ◆ Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- ◆ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- ◆ 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.

How the Council manages those risks

The Council maintains principles for overall risk management, as well as approved policies covering specific areas, such as Treasury Management. The principles behind how the Council intends to manage overall credit, liquidity and market risk in its investments are contained within the Annual Treasury Management and Investment Strategy report, submitted to full Council before the start of each financial year. This strategy can be amended, but only by full Council. During 2015/16 the Council made amendments to its investment strategy. The increase in limits and diversification in using other financial instruments was necessary to offset the effects of further decreases in market interest rates without unduly increasing risk.

Credit risk

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

The Council seeks through the operation of its Treasury Management and Investment Strategy to minimise its exposure to risks in relation to investments.

Notes to the Main Financial Statements

The table below summarises current Treasury Management limits and the changes during the year.

Counterparty	Limit	Change in 2015/16
Government Debt Management Account Deposit Facility (DMADF)	Unlimited	Unchanged
UK Government Gilts, Treasury Bills and Supranational Bonds	£15m	Unchanged
HSBC Bank Plc	£20m	Reduction of £5m
Barclays Bank plc	£25m	Increase of £5m
Single named Institution (Nationalised Banks, Local Authorities, Nationwide Building Society & UK Domiciled Banks excluding Santander)	£20m	Unchanged
UK Banks Group Limit	£30m	Unchanged
Certificates of Deposit with UK Banks (Included within single counterparties limit)	£15m	Unchanged
AAA Money Market Funds	£15m total per fund	Unchanged
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/V1)	£5m total per fund	New
UK subsidiary of foreign bank (Santander UK)	£5m	Unchanged
Named Foreign Banks (Svenska Handelsbanken and Deutsche Bank)	£5m	Unchanged
Certificates of Deposit with the Named Foreign Banks (included within single counterparties limit)	£2m	Unchanged
Building Society (dependent on asset base and investment type)	£2m to £20m	Unchanged
CCLA Local Authorities' Property Fund	£10m	Unchanged

The Council uses the 'creditworthiness service' provided by Capita. This service has been progressively enhanced and uses a sophisticated modelling approach using credit ratings from the following rating agencies – Fitch, Moodys and Standard and Poor's. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the appropriate duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service gives an appropriate level of security for its investments.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to its investments at 31 March 2016 and that any residual risk cannot be quantified.

Notes to the Main Financial Statements

The following shows the original principal sums of investments at 31 March analysed by the nature of financial institution and remaining period to maturity:

(£000s)	Maturity Band				Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	
31 March 2016					
United Kingdom					
Banks	21,000	33,500	0	0	54,500
Building Societies	0	2,000	0	0	2,000
Local Authorities	0	0	0	22,000	22,000
Total	21,000	35,500	0	22,000	78,500

(£000s)	Maturity Band				Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	
31 March 2015					
United Kingdom					
Banks	11,000	20,000	34,000	0	65,000
Building Societies	7,000	4,000	0	0	11,000
Local Authorities	5,000	3,000	2,000	6,000	16,000
Total	23,000	27,000	36,000	6,000	92,000

In addition to these the Council has investments in long term available for sale assets as detailed in note 35, which do not have a defined maturity date.

These tables exclude the investments in Heritable Bank and LBI as detailed in Note 23.

The following analysis summarises the Council's assessment of its potential maximum exposure to credit risk (impairment allowance) in relation to debtors:

(£000s)	31 March 2016		31 March 2015	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	1,270	0	1,146	0
Current and former tenants	1,387	1,181	1,479	1,203
Other debtors	9,043	419	7,926	352
	11,700	1,600	10,551	1,555

Long-term debtors include private sector housing improvement loans and council house mortgages. These debts are secured on properties.

Notes to the Main Financial Statements

The movement in the impairment allowance during the year can be summarised as follows:

(£000s)	31 March 2016	31 March 2015
Balance at 1 April	1,555	1,616
Increase in allowance for impairment	215	172
Balances written off during the year	(170)	(233)
Balance at 31 March	1,600	1,555

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2016, of the total debtor and deferred debtor balances of £11.7 million (£10.6 million at 31 March 2015), the past due amount was £2.0 million (£2.0 million at 31 March 2015) and can be analysed by age as follows:

(£000s)	31 March 2016	31 March 2015
Customer Debts		
Less than three months	458	563
Three to six months	138	139
Six months to one year	223	186
More than one year	1,189	1,154
Balance at 31 March	2,008	2,042

Debts are not generally specifically impaired, so the impairment allowance is based on the age of overdue debt and can be analysed as follows:

(£000s)	31 March 2016	31 March 2015
Impairment allowance by age of debt		
Less than three months	139	190
Three to six months	76	85
Six months to one year	143	115
More than one year	1,242	1,165
Balance at 31 March	1,600	1,555

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loan Board (PWLb). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

On 28 March 2012 the Council took out a number of fixed rate maturity loans with the PWLB to meet the cost of the HRA self-financing settlement due to central government. These loans had terms of between 26 and 45 years. The HRA business plan confirms the affordability of interest payments and the repayment of these loans on maturity and that the Council may be able to consider earlier redemption if advantageous. However, this will not be considered in the short-term, due to current market conditions.

Notes to the Main Financial Statements

The maturity analysis of the loans is as follows:

(£000s)	31 March 2016	31 March 2015
Between 20 and 25 years	42,714	32,036
Between 25 and 30 years	53,393	53,393
Between 30 and 35 years	53,393	53,393
Between 35 and 40 years	53,393	53,393
Between 40 and 45 years	10,679	21,357
	213,572	213,572

Accrued interest due on the PWLB loans to 31 March 2016 was £82,000 (£82,000 in 2014/15).

Market risk

Interest rate risk

The Council is exposed to minimal risk in terms of its exposure to movements in interest rates. This is because the majority of its investments are at fixed rates. These investments are also of less than one year in duration and so changes to fair value will be minimal. The Council does, however, utilise bank deposit accounts and on-call money market funds for very short term cash deposits and the interest rate on these accounts is variable.

In general terms, a rise in interest rates would have the following effects:

- ◆ Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- ◆ Investments at fixed rates – the fair value of the assets will fall
- ◆ Loans at fixed rates – the fair value of liabilities will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. During 2015/16, if interest rates on variable rate deposits had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £285,000 (£380,000 in 2014/15).

Price risk

The Council does not generally invest in equity shares in individual companies. However it did invest £50,000 in the Municipal Bonds Agency in 2014/15. This company has been set up with the aim of providing an alternative source of debt, in the form of bonds, to local authorities. The initial subscription has been provided towards the funding of operating capital during the start-up phase.

The Council also invested £10 million in the Local Authorities' Property Fund in 2014/15. This is a professionally managed diversified property portfolio.

Both investments are classified as 'available-for-sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Notes to the Main Financial Statements

The Council is exposed to potential losses arising from future movements in the value of the Municipal Bonds Agency shares, but given the size of the current shareholding these are not material.

A gain of £566,000 in respect of the Local Authorities' Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2015/16. This reflects general movements in the value of the shares over 2015/16, based on the bid price. A further movement in the bid price of 5% (positive or negative) would have resulted in a £500,000 gain or loss being recognised in Other Comprehensive Income and Expenditure in 2015/16.

The Council also holds a number of Certificates of Deposit, shown in current investments, which are available-for-sale assets and a small gain of £2,000 has been recognised in Other Comprehensive Income and Expenditure in 2015/16 in respect of these assets.

The statutory accounting arrangements around all investments treated as available-for-sale mean that any gains or losses arising from price movements recognised in the Comprehensive Income and Expenditure Statement are not borne by the General Fund for taxation purposes until the investments are sold. The Council intends to hold the investments in the Municipal Bonds Agency and the Local Authorities' Property Fund over the long term. Certificates of Deposit are intended to be held to maturity, and in these circumstances there is no gain or loss realised on maturity.

Foreign exchange risk

The Council has no material financial assets or liabilities denominated in foreign currencies.

37 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Cambridgeshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme in 2015/16 was the responsibility of the Cambridgeshire Pension Fund Committee and Investment Sub-Committee. Policy is determined in accordance with the pension 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 (ie 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 and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Notes to the Main Financial Statements

Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the employer contributions 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. 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:

(£000s)	Local Government Pension Scheme	
	2015/16	2014/15
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	7,334	6,098
Past service costs (including curtailments)	268	19
Effect of settlements	(1,105)	0
Financing and Investment Income and Expenditure:		
Net interest cost	3,997	4,111
Total post-employment benefit charged to the surplus or deficit on the provision of services	10,494	10,228
Other post-employment benefit charged to the comprehensive income and expenditure statement		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	7,346	(11,993)
Changes in financial assumptions	(28,695)	41,357
Other experience changes	(1,472)	(4,887)
Total post-employment benefit charged to the comprehensive income and expenditure statement	(12,327)	34,705
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	18,049	(29,610)
Employers' contributions payable to the scheme	5,722	5,095

Notes to the Main Financial Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2015/16	2014/15
Present value of the defined benefit obligation	(277,380)	(302,046)
Fair value of plan assets	170,618	177,235
Net liability arising from defined benefit obligation	(106,762)	(124,811)

The net liability shows the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £106.8 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

Assets and liabilities in relation to post-employment benefits

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

(£000s)	2015/16	2014/15
Opening balance at 1 April	(302,046)	(253,978)
Current Service Cost	(7,334)	(6,098)
Past service cost	(268)	(19)
Effect of settlements	5,734	0
Interest Cost	(9,556)	(10,926)
Contributions by scheme participants	(1,584)	(1,609)
Benefits paid	7,246	6,947
Estimated unfunded benefits paid	261	107
Remeasurements – changes in financial assumptions	28,695	(41,357)
Remeasurements – other experience	1,472	4,887
Remeasurements – changes in demographic assumptions	0	0
Closing balance at 31 March	(277,380)	(302,046)

Changes in financial assumptions reflect the change in the discount rate used by the actuary to estimate the Council's liability as detailed in Note 42.

Notes to the Main Financial Statements

Reconciliation of fair value of the scheme (plan) assets:

(£000s)	2015/16	2014/15
Opening balance at 1 April	177,235	158,777
Effect of settlements	(4,629)	0
Interest income on plan assets	5,559	6,815
Contributions by scheme participants	1,584	1,609
Employer Contributions	5,461	4,988
Contributions in respect of unfunded benefits	261	107
Benefits paid	(7,246)	(6,947)
Unfunded benefits paid	(261)	(107)
Remeasurements – return on assets excluding amount in net interest expense	(7,346)	11,993
Closing balance at 31 March	170,618	177,235

Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets	
	2015/16	2014/15
Cash and cash equivalents	2,428	5,311
Equity instruments:		
Consumer	3,922	17,554
Manufacturing	3,281	10,866
Energy & utilities	2,863	4,993
Financial Institutions	6,215	14,495
Health and care	2,675	8,629
Information technology	1,347	8,013
Other	0	0
Private Equity	15,768	12,566
Investment Funds and Unit Trusts:		
Equities	91,951	54,599
Bonds	25,603	27,023
Other	14,565	13,186
Closing balance at 31 March	170,618	177,235

Cash and cash equivalents and equity instruments have quoted prices in active markets except for private equities. Investment funds and unit trusts have quoted prices, but not in active markets.

Notes to the Main Financial Statements

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed for the County Council Fund by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	2014/15
Mortality Assumptions:		
<i>Longevity at 65 for current pensioners</i>		
Men	22.5	22.5
Women	24.5	24.5
<i>Longevity at 65 for future pensioners</i>		
Men	24.4	24.4
Women	26.9	26.9
Rate of increase in salaries	4.2%	4.3%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.0%	25.0%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.0%	63.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all other factors remain constant. The assumptions in longevity for example assume that life expectancy increases 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 period.

Notes to the Main Financial Statements

Change in assumption at 31 March 2016	Approximate % increase to Employer Liability	Approximate Monetary amount (£000s)
0.5% decrease in the real discount rate	11%	30,537
1 year increase in member life expectancy	3%	8,314
0.5% increase in the salary increase rate	3%	9,201
0.5% increase in the pensions increase rate	8%	20,833

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve an appropriate funding level over the period until 31 March 2017.

The next triennial revaluation is due to be completed as at 31 March 2016.

There were a number of changes to the Local Government Pension Scheme from 1 April 2014 which included the introduction of a new career average revalued earnings scheme to pay pensions.

The Council expects to pay contributions of £5,932,000 in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is:

	Weighted average duration
Active members	25.2
Deferred members	23.2
Pensioner members	11.6
Weighted Average Total	19.7

The weighted average duration is the weighted average time until the payment of expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. These durations are as they stood at the previous formal valuation as at 31 March 2013.

Notes to the Main Financial Statements

38 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2015/16	2014/15
Housing rents	20,237	19,422
Revenue Support Grant	3,012	4,311
Council Share on non-domestic rates income collected	38,630	37,133
Non domestic rates – tariff payment to central government	(33,544)	(32,915)
New Homes Bonus Grant	4,976	3,389
Non domestic rates – safety net payment received from central government	0	1,571
Non domestic rates – levy payment to central government	(152)	0
Section 31 grants received from central government	1,336	675
Green Deal Grant	0	7,857
Housing Benefit subsidies	38,439	39,867
Council share of Council Tax receipts	7,048	6,769
Cash paid to and on behalf of employees	(25,639)	(26,861)
Employer national insurance and pension contributions paid	(7,459)	(6,240)
Payments to the capital receipts pool	(1,078)	(1,120)
Housing Benefit paid	(19,588)	(19,298)
Interest received	1,276	583
Interest paid	(7,534)	(7,496)
Other cashflows	(603)	8,153
	19,357	35,800

39 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2015/16	2014/15
Purchase of property, plant and equipment, investment property and intangible assets	(50,553)	(21,726)
Purchase of short-term and long-term investments	(74,000)	(118,475)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,221	7,102
Proceeds from short-term and long-term investments	87,662	92,465
Other receipts from investing activities	3,154	5,375
	(22,516)	(35,259)

Notes to the Main Financial Statements

40 Cashflow Statement – Financing Activities

(£000s)	2015/16	2014/15
Other receipts from financing activities	5,077	154
Net cash flows from financing activities	5,077	154

Other receipts from financing activities reflect movements in the cash collected for Non-Domestic Rates and Council Tax collected by the Council as an agent for others.

41 Impact of the adoption of new accounting standards on the financial statements – effective for the 2016/17 financial year

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been *issued* but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS19 *Employee Benefits*
- Annual Improvements to IFRSs cycle
- Amendment to IFRS11 *Joint Arrangements*
- Amendment to IAS 16 *Property Plant and Equipment* and IAS38 *Intangible Assets*
- Amendment to IAS1 *Presentation of Financial Statements*
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis, as part of CIPFA's *Telling the Story* review.

The Council does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements ie there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the Telling the Story review of local authority accounts.

42 Changes in accounting estimates

The Council has made the following significant changes to accounting estimates.

Change in discount rate for assessing pension liabilities

In assessing liabilities for retirement benefits at 31 March 2015 for the 2014/15 Statement of Accounts the actuary assumed a discount rate of 3.2%. For the 2015/16 Statement of Accounts the actuary has advised that a rate of 3.5% is appropriate. Application of this rate (and related RPI/CPI inflation and salary increase assumptions) has resulted in a reduction in liabilities of £29.1 million, as reflected in the remeasurement losses recognised for the year in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Change in remaining useful economic lives of dwellings

During 2015/16 the Council undertook a review of the remaining useful lives of dwellings, in conjunction with the external housing stock valuer.

Notes to the Main Financial Statements

The previous remaining lives were based on age bandings, so that older properties had a shorter remaining life. However, having undertaken the review the Council and the valuer have determined that it is appropriate to adopt a single average life across the whole stock, irrespective of age, as the Council maintains all properties to decent homes standard.

The previous estimation technique also took no account of the potentially different lives of some of the major components of properties, when compared to the structure. Taking these into account, the Council has adopted weighted average lives of 46 years for houses and 45 years for flats in 2015/16.

The effect of the change in estimate is to reduce the depreciation charge for dwellings in 2015/16 by approximately £2.6 million. This change has no impact on HRA reserves. There is expected to be an ongoing reduction in the depreciation charge compared to the previous estimation basis.

43 Date the Statement of Accounts were authorised for issue

The audited accounts were authorised for issue by the Council's Section 151 officer on 27 September 2016. This is the date up to which events after the balance sheet date have been considered.

44 Events after the Reporting Period

As noted above the audited accounts were authorised for issue on 27 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As a result of a referendum held on 23 June 2016, the United Kingdom voted to leave the European Union. As this took place after the 31 March 2016 there is no impact on the figures disclosed in the financial statements. However, this decision is likely to significantly impact on the general economic assumptions used in estimates. This is likely to change the value of the Council's significant assets and liabilities, including property and pensions, recognised in the statement of accounts in future years.

Additional Financial Statements and Information

Additional Financial Statements and Information

Housing Revenue Account Income and Expenditure Account

This statement sets out details of the income and expenditure in relation to the provision of Council dwellings.

(£000s)	Note	2015/16	2014/15
Income			
Dwelling rents	2	(37,033)	(35,983)
Non-dwelling rents		(696)	(673)
Charges for services and facilities		(3,076)	(2,896)
Contributions towards expenditure		(428)	(460)
Reimbursement of costs		(32)	(33)
Total		(41,265)	(40,045)
Expenditure			
Repairs & Maintenance		6,890	7,051
Supervision & Management		7,290	6,810
Rents, rates, taxes & other charges		226	259
Depreciation, impairment & reversal of revaluation losses on non-current assets		444	(4,113)
Increased provision for bad debts		148	145
Total		14,998	10,152
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(26,267)	(29,893)
HRA services share of Corporate and Democratic Core		300	294
HRA Services share of Non-Distributed Costs		10	111
Net Cost of HRA Services		(25,957)	(29,488)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Surplus) or deficit on sale of HRA non-current assets		(3,296)	(5,862)
Other income		(79)	(180)
Interest payable on PWLB loans		7,530	7,494
Interest and Investment Income		(973)	(764)
Capital Grants and Contributions Receivable		(1,455)	(1,230)
(Surplus) / Deficit for the year on HRA services		(24,230)	(30,030)

Additional Financial Statements and Information

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2015/16	2014/15
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		(24,230)	(30,030)
Adjustments between accounting basis and funding basis under statute			
Gain on sale of non-current assets		3,296	5,862
Other capital receipts		79	180
Net revaluation gains/(losses) on property, plant and equipment		9,329	15,024
Revenue expenditure funded from capital under statute and de-minimus capital expenditure		(877)	(597)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		1,455	1,230
Movement in investment property value		99	(9)
Net charges made for retirement benefits made in accordance with IAS19	10	(1,364)	(1,262)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund	10	1,149	1,045
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		11	8
Capital Expenditure funded by the Housing Revenue Account	7	17,101	5,115
Transfer from the Major Repairs Reserve	9	(770)	(2,401)
Net (increase) / decrease before transfers to or from reserves		5,278	(5,835)
Transfers to reserves		(204)	(150)
Total movement on Housing Revenue Account for the year		5,074	(5,985)
Housing Revenue Account balance brought forward		(14,865)	(8,880)
Housing Revenue Account balance carried forward		(9,791)	(14,865)

Additional Financial Statements and Information

Notes to the Housing Revenue Account

1 Introduction

The Local Government and Housing Act 1989 set the framework within which the HRA operates. The account is 'ringfenced', meaning that authorities do not have discretion to fund any HRA deficits from the General Fund. Transfers from the General Fund can only be made at the direction of the Secretary of State.

2 Gross Rent

This represents income receivable in respect of all dwellings within the HRA, gross of rent rebates and net of rents not payable when properties are empty. As at 31 March 2016, 1.0% of properties were vacant (0.8% at 31 March 2015).

The average rent payable in 2015/16 was £109.80 per week based on 48 payable rent weeks (£101.36 per week on a 52 week basis). The average rent payable in 2014/15 was £106.92 per week based on 48 payable rent weeks (£98.70 per week on a 52 week basis).

3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2016	1 April 2015	2015/16	2014/15
Dwellings	586,941	538,100	8,517	10,035
Other Land and Buildings	8,442	7,230	121	131
Infrastructure	2,147	1,732	45	33
Vehicles, Plant and Equipment	197	216	26	18
Investment Properties	5,228	5,208	0	0
Intangible Assets	19	0	0	0
Non-current assets held for disposal	95	0	0	0
Surplus Assets	0	196	2	113
Assets in the course of construction	21,427	11,925	0	0
	624,496	564,607	8,711	10,330

The value of council dwellings at 1 April 2015, based on vacant possession, was £1,380 million (1 April 2014: £1,276 million). Vacant possession value is the estimate of the total sum that would be received if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

Net revaluation loss reversals on Property, Plant and Equipment of £9.1 million have been credited to the Comprehensive Income and Expenditure Statement in 2015/16 (net revaluation loss reversals

Additional Financial Statements and Information

credited of £15.0 million in 2014/15). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

The Council has changed the basis of estimation of useful lives for dwellings used in the calculation of dwelling depreciation in 2015/16 as disclosed in Note 42 to the main financial statements.

4 Loan Interest Charges

The Council made an HRA self-financing settlement payment of £213.6 million on 28 March 2012. To meet this payment the Council took out a number of long-term maturity loans with the Public Works Loan Board (PWLB).

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7,494,000 on this debt being charged to the HRA in 2015/16 (£7,494,000 in 2014/15).

5 Housing Stock

The Council was responsible for an average stock of 7,065 dwellings during the year. The stock as at 31 March 2016 was as follows:-

	31 March 2016	31 March 2015
Houses & bungalows	3,597	3,607
Flats	2,933	2,900
Sheltered housing units	510	509
Shared ownership properties (whole property equivalent)	37	36
Total	7,077	7,052
The change in stock during the year can be summarised as follows:		
Stock at 1 April	7,052	7,203
Right to buy sales	(42)	(51)
Open market disposals	(4)	0
Net shared ownership changes	1	(3)
New properties	65	18
Other changes	5	(6)
Demolitions	0	(109)
Stock as at 31 March	7,077	7,052

6 Rent Arrears

Rent arrears at 31 March 2016 were £1,334,359 (£1,401,226 at 31 March 2015) and as a proportion of gross rent income have decreased from 3.66% in 2014/15 to 3.37% in 2015/16.

At 31 March 2016 a provision for bad debt of £1,181,406 was held in the balance sheet (£1,203,043 at 31 March 2015).

Additional Financial Statements and Information

7 Financing of Capital Expenditure

(£000s)	2015/16	2014/15
Capital Expenditure		
Dwellings	10,124	13,248
Land and Buildings	0	189
Vehicles, Plant and Equipment	6	47
Infrastructure Assets	460	490
Assets under Construction	20,243	9,188
Investment Properties	181	24
Intangible assets	19	0
De minimis capital expenditure	877	597
	31,910	23,783
Financed by:		
Capital receipts	6,462	6,799
Major repairs reserve	6,892	10,629
Revenue financing of capital	17,101	5,115
Capital contributions and grants	1,455	1,240
	31,910	23,783

8 Capital receipts within the HRA

(£000s)	2015/16	2014/15
Dwellings	7,781	6,952
Land	2,649	5,948
Total receipts	10,430	12,900
Payable to central government	(857)	(1,279)
Usable capital receipts	9,573	11,621

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9 Major Repairs Reserve (MRR)

(£000s)	2015/16	2014/15
Balance at 1 April	(2,219)	(4,919)
Transfer to MRR during the year	(8,711)	(10,330)
Amount transferred from MRR to HRA	770	2,401
HRA capital expenditure on housing charged to MRR	6,892	10,629
Balance at 31 March	(3,268)	(2,219)

10 Contributions from the Pensions Reserve

The Housing Revenue Account is charged with an attributable share of current service costs in line with IAS19. The difference between this cost and employer contributions payable is then appropriated from the pensions reserve so that the overall amount to be met from rents reflects employer contributions payable by the Council.

Additional Financial Statements and Information

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

(£000s)	Note	2015/16		2014/15	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council Tax	2	(62,781)	0	(60,241)	0
Non domestic rates income		0	(96,541)	0	(93,386)
Contributions towards previous year's estimated Collection Fund deficit					
Central Government		0	(3,961)	0	(1,614)
Cambridge City Council		(60)	(3,169)	0	(1,292)
Cambridgeshire County Council		(391)	(713)	0	(291)
Cambridgeshire Police & Crime Commissioner		(63)	0	0	0
Cambridgeshire Fire Authority		(22)	(79)	0	(32)
Transitional protection receipts		0	(210)	0	0
Total Income		(63,317)	(104,673)	(60,241)	(96,615)
Council Tax Expenditure					
Cambridge City Council	4	7,060	0	6,706	0
Cambridgeshire County Council	4	45,709	0	43,419	0
Cambridgeshire Police & Crime Commissioner	4	7,244	0	7,018	0
Cambridgeshire Fire Authority	4	2,567	0	2,486	0
Impairment of Council Tax debts	5	582	0	1,548	0
Non-domestic rates Expenditure					
Cambridge City Council		0	38,663	0	38,727
Cambridgeshire County Council		0	8,699	0	8,713
Cambridgeshire Fire Authority		0	967	0	968
Non-domestic rates due to central government		0	48,329	0	48,408
Transitional protection payments		0	0	0	1,074
Impairment of non-domestic rates debts	6	0	456	0	322
Provision for non-domestic rates appeals	6	0	652	0	765
Allowable costs of non-domestic Rates Collection		0	228	0	228
Total Expenditure		63,162	97,994	61,177	99,205
(Surplus)/Deficit for the year		(155)	(6,679)	936	2,590
(Surplus)/Deficit as at 1 April		844	11,102	(92)	8,512
(Surplus)/Deficit as at 31 March	6	689	4,423	844	11,102

Additional Financial Statements and Information

Notes to the Collection Fund

1 General

This statement shows the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts for income relating to Council Tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of collection are accounted for in the General Fund.

2 Council Tax

Under the arrangements for Council Tax, each domestic property within the Council's area is assigned to one of eight 'valuation bands' (A to H) based on the estimated price it would have achieved if it had been sold at 1 April 1991. The Council Tax is set for band D properties and the tax for other bands is calculated as a proportion of the band D tax. The band D Council Tax for the year ended 31 March 2016 was set at £1,566.62, made up as follows:

(£000s)	2015/16	2014/15
Cambridge City Council	176.75	173.29
Cambridgeshire County Council	1,144.26	1,121.94
Cambridgeshire Police & Crime Commissioner	181.35	181.35
Cambridgeshire Fire Authority	64.26	64.26
Total	1,566.62	1,540.84

The following table shows the calculation of the Council Tax Base for 2015/16 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2015/16

Valuation Band	Total number of dwellings on the Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc)	Ratio to Band D	Band D Equivalents
A	3,350	1,964	6/9	1,309
B	9,814	6,136	7/9	4,772
C	18,425	14,163	8/9	12,589
D	9,258	7,608	9/9	7,608
E	5,284	4,440	11/9	5,427
F	3,392	2,950	13/9	4,261
G	2,911	2,423	15/9	4,038
H	456	273	18/9	545
Total	52,890	39,957		40,549
Tax Base adjustments				(603)
Tax base for Council Tax Setting				39,946

Additional Financial Statements and Information

Adjustments to the Council Tax base are made for growth, losses in collection, student exemptions and empty and second homes to calculate the base for Council Tax setting purposes.

The income of £62.8 million in 2015/16 was receivable from the following sources:

(£000s)	2015/16	2014/15
Billed to Council Tax payers	62,768	60,231
Council Tax benefits	(15)	(17)
Ministry of Defence Contributions in Lieu	28	27
Total	62,781	60,241

3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2016 was £257,740,025 (£256,210,175 at 31 March 2015) and the Uniform Business Rate in 2015/16 was set by the government at 49.3p (2014/15, 48.2p).

4 Council Tax Expenditure

(£000s)	2015/16			2014/15		
	Precepts and Demands	Distribution of previous years' surplus	Total	Precepts and Demands	Distribution of previous years' surplus	Total
Cambridge City Council	7,060	0	7,060	6,702	4	6,706
Cambridgeshire County Council	45,709	0	45,709	43,391	28	43,419
Cambridgeshire Police and Crime Commissioner	7,244	0	7,244	7,013	5	7,018
Cambridgeshire Fire Authority	2,567	0	2,567	2,485	1	2,486

5 Provision for Non-Payment - Council Tax

A contribution of £581,942 (£1,548,257 in 2014/15) was made to a provision for bad debts. During 2015/16, £741,518 of debts were written off (in 2014/15 £3,873).

6 Provision for Non-Payment and appeals - Non-Domestic Rates

A contribution of £469,629 (a contribution of £219,526 in 2014/15) was made to a provision for bad debts. Net of write offs, debts of £13,261 were written back (net write offs of £101,980 in 2014/15).

A provision for appeals relating to rateable value reductions in respect of 2015/16 and prior years has been established following the introduction of the new business rates retention scheme for local government. At 31 March 2016 this provision is £9,511,390 (£8,859,516 at 31 March 2015).

Additional Financial Statements and Information

7 Collection Fund Surpluses and Deficits

The deficit of £689,259 at 31 March 2016 (£844,442 deficit at 31 March 2015), which related to Council Tax, will be redistributed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

The total Council Tax Collection Fund deficit/ (surplus) is therefore shared as follows:

(£000s)	31 March 2016	31 March 2015
Council Tax:		
Cambridge City Council	78	95
Cambridgeshire County Council	503	615
Cambridgeshire Police & Crime Commissioner	80	99
Cambridgeshire Fire Authority	28	35
Total	689	844

The deficit of £4,422,974 at 31 March 2016 (£11,101,749 at 31 March 2015) in respect of non-domestic rates will be recovered in subsequent financial years from Cambridgeshire County Council, Cambridgeshire Fire Authority, Central Government and the Council in proportion to their shares of business rates income.

The total non-domestic rates deficit is therefore shared as follows:

(£000s)	31 March 2016	31 March 2015
Non-Domestic Rates:		
Cambridge City Council	1,769	4,441
Cambridgeshire County Council	398	999
Cambridgeshire Fire Authority	44	111
Central Government	2,212	5,551
Total	4,423	11,102

**Statement of Accounting Policies and Glossary of Financial
Terms and Abbreviations**

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (e.g. in the collection of non-domestic rates and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

3 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 highly liquid investments that mature in less than three months from the date of acquisition and that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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.

4 Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting estimates are accounted for prospectively, ie, in the current and future years affected by the change.

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

5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluation and 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. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. No MRP is currently charged as the debt acquired in relation to HRA self-financing is outside the scope of this regime.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is credited and the HRA balance is debited with a sum equal to depreciation on all HRA non-current assets. The

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

HRA balance is credited and the Capital Adjustment Account debited with the depreciation charged on dwelling assets so that the depreciation on non-dwelling assets is now a charge to the HRA.

6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, flexi-leave and time off in lieu for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring..

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Cambridgeshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cambridgeshire County Council pension fund 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.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the yields of the constituents of the iBoxx £ Corporates AA index, gilts yields, and the Council's weighted average duration).
- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into the following components:
 - Service Cost comprising:
 - Current service cost – the increase in liabilities as a 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - Net Interest on the net defined benefit liability – ie the net interest expense for the Council. This is the change during the period in the net defined benefit liability 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 obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
 - Remeasurements comprising:
 - The return on plan assets excluding amounts included in net interest on the net defined benefit liability. This is 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the Cambridge City Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve 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

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows than as benefits are earned by employees.

7 Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Account.

8 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the account.

9 Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

10 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. 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.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

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/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.

11 Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

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Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured 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 (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest-free loans for private sector housing improvements (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

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 items specific to a 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/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price

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- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is measured at cost (less any impairment losses).

12 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, 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 will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the

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recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in 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 Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licence) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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14 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.

15 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at a cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transactions between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.. Properties are not depreciated, but assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16 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 and the fair value of the property, plant or equipment at lease inception is above the Council's de-minimis levels of £2,000 for vehicles and £15,000 for other items. 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.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value

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of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. 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. 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 – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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 provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from 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 (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over 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 also 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 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 liability (together with any premiums received), and

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- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be 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, this 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 paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. 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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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18 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimis level of £2,000 has been adopted for vehicles and £15,000 for all other items. Assets that cost less than these limits are classified as revenue, rather than capital expenditure.

The Council is paying 7% of the infrastructure costs of Clay Farm, which is being developed for housing, net of the contributions made towards these costs by affordable housing providers. The Council is paying the infrastructure costs gross and receiving a credit in relation to the contribution made by affordable housing providers separately, which is estimated to be about 25% of the gross costs. The Council accounts for 75% of the gross costs as an enhancement to its land, recognising a net debtor or receipt in advance at the end of each financial year dependant on the credits received in respect of affordable housing providers. The Council does not consider the accounting for these costs net of affordable housing contributions leads to any material misstatement.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance and therefore will not increase the cash flows of the Council. In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Operational land and buildings – current value, determined as the amount that would be for the asset in its existing use (EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
- Surplus assets – the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- Vehicles, Plant & Equipment – as these assets have short lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower end of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair 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 previously recognised losses. Depreciation is not charged on Assets Held for Sale.

The Council is undertaking a number of housing redevelopments where part of the cost of building social housing units is being 'paid' by the transfer of land on which the developer will build and sell market units. The Council assesses that it transfers the risks and rewards of ownership of this land at the point that the agreement with the developer becomes unconditional rather than at legal disposal (once the value of social housing build work equals the value of the land).

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. Housing sold under the Right to Buy legislation is not reclassified as Assets Held for Sale as its primary purpose remains as a dwelling until the point of disposal and it is only considered significantly more likely than probable that a disposal will actually occur very close to the disposal itself. The carrying value of housing sold under right to buy remains the same as if it had been transferred to assets held for sale.

When an asset is disposed of or decommissioned, 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 also as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital

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financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

19 Heritage Assets

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Civic Regalia

The collection of civic regalia includes ceremonial maces, chains of office and other civic items. These items are reported in the balance sheet at insurance valuation which is based on market values.. Further information on the most significant items in the collection can be found on the Council's website.

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Art Collection

The art collection (both oil and watercolour) includes portraits of historic figures with links to the city (many of them previous mayors and MPs) and paintings of the city. These items are reported in the balance sheet at insurance valuation which is based on market values. These items are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation.

The civic regalia and art collection are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation. The Council does not normally make any purchases or disposals of these items. The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where there is physical deterioration, breakage or doubts as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment of non-current assets.

Cellarer's Chequer

The Council owns Cellarer's Chequer on the site of Barnwell Priory. The Cellarer was the second most important position in a monastery after the Abbot, dealing with the sourcing of provisions and supplies for the community. The Chequer is constructed from Barnack Stone with a tiled roof. It is in Early English style and is thought to be mid 13th century, retaining a doorway, windows and fireplace from this period. Further details can be found on the Council's website.

The Council considers that obtaining an accurate valuation for the Chequer would involve a disproportionate cost in comparison to the benefits to users of the accounts. This is because of the lack of comparable values. Consequently this asset is not recognised on the balance sheet.

20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

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Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or 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.

23 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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24 Foreign Exchange Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate on the date that the transaction was effective. Where amounts in foreign currency are outstanding at the year-end they are converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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Glossary of Financial Terms and Abbreviations

Accounting Period

The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Amortisation

A measure of the consumption of the value of intangible assets, based on the remaining economic life.

Capital Expenditure

Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Receipt

Income from the sale of capital assets such as council houses, land or other buildings.

Cash Equivalents

Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Contingent Liabilities

Potential liabilities which are either dependent on a future event or cannot be reliably estimated.

Creditors

Amounts owed by the Council at 31 March for goods received or services rendered but not yet paid for.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

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Debtors

Amounts owed to the Council which are collectable or outstanding at 31 March.

Depreciation

A measure of the consumption of the value of non-current assets, based on the remaining economic life.

Effective rate of interest

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Equity instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (e.g. an equity share in a company.)

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Asset

A right to future economic benefits controlled by the Council. Examples include bank deposits, investments, trade receivables and loans receivable.

Financial Liability

An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Government Grants

Payments by central government towards local council expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

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Heritage Assets

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

Impairment

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Non-current assets

Assets which can be expected to be of use or benefit the Council in providing its service for more than one accounting period.

Operating Lease

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Outturn

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

Precepts

The amount which a local council which cannot levy a council tax directly on the public (for example a County Council or Police &) requires to be collected on its behalf.

Provisions

Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

Reserves

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

Revenue Expenditure

Spending on day to day items including employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded From Capital Under Statute

Expenditure which 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 non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

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Revenue Support Grant

Grant paid by central government to a local council towards the costs of its services.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. This specifies the principals and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

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Abbreviations used in the accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Practice
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
LAAP	Local Authority Accounting Panel
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
SERCOP	Service Reporting Code of Practice
SOLACE	Society of Local Authority Chief Executives and Senior Managers