FOI Ref	Response sent
7259	**8 Jun 2020**

(CCC) Commercialism in Local Government

How would you describe the Risk appetite of the authority?
How would you describe the Commercialism appetite of the authority?
Does your Authority have a Financial Strategy / Commercial Strategy and how many years do they cover?
Does your Strategy include the use of Reserves and/or Commercial Activity?
Please describe the Commercial Activities that are in your financial strategy.
Do you use any of the following Investment Appraisal Models in your Business Cases:
Can you please provide the 2018/19 Council Tax bandings
Main Revenue Funding Sources
Has the authority invested in any of the following:
Offices
Shops
Shopping Centers
Hotels
Supermarkets
Gyms
Industrial Units
Residential (outside the HRA)
Are these investments within your own areas or outside it?
Has the authority invested in any of the following:
Money Markets
Stocks & Shares
Bonds
Other Financial Instruments
Has the Local Authority invested/developed any services that are deemed to be Commercial?
If Surplus Making - What has been the success factors in achieving this?
If Deficit Making - What has been the contributing factors in making a deficit and what would you do differently?
Any other comments / observations you wish to make about commercialism in the public sector generally

Response:

Thank you for your request for information above, which we have dealt with under the terms of the Freedom of Information Act 2000.

I hope the following will answer your query:

Please find attached the following:

1. Cambridge City Council's responses to the excel questionnaire provided;
2. Cambridge City Council's Statements of Accounts for 2018/19. Please note that these are subject to audit;
3. Cambridge City Council's Medium Term Financial Strategy 2019/20 – 2024/25, and;
4. Cambridge City Council's Commercial Strategy

Further queries on this matter should be directed to foi@cambridge.gov.uk

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2019

This document is published on our website

FINAL FRONT COVER TO FOLLOW

Contents

The Statement of Accounts, set out on pages 1 to 103, contains a series of statements, summarising the financial implications to the Council of delivering services in the period from 1 April 2018 to 31 March 2019. 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 2018/19' (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.

In addition to the Council's Statement of Accounts, consolidated Group Financial Statements are also presented. 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
- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

These accounts are supported by a comprehensive set of notes together with a Statement of Accounting Policies of the Council and a glossary of terms. An index to the main notes to the accounts is provided on page 7.

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; and
- be assured that the financial position of the Council is sound and secure.

Review of 2018/19

This Narrative Report is designed to explain the most significant features of the accounts and to provide information on the Council's use of resources.

It includes a review of achievements against the Council's Corporate Plan which was reviewed by the Council's Strategy and Resources Committee in July 2019, alongside a review of the financial performance for the year.

Corporate Plan – Review of 2018/19

The Corporate Plan for 2016-19 lists the key activities which Cambridge City Council has undertaken over a three-year period in order to achieve our strategic objectives and vision.

An Annual Report shows what has been achieved each year against each of the objectives contained within the Corporate Plan. For the third year of the Corporate Plan our headline achievements have been:

Delivering sustainable prosperity for Cambridge and fair shares for all

- Spent just over £572,000 to deliver 22 projects set out in our Anti-Poverty Strategy to improve the lives of local people living on low incomes in the city.
- Supported neighbourhood community development projects in Abbey, Arbury and Kings Hedges wards and started the process of realigning our resources so that we can ensure support to the communities and areas of highest need.
- Funded a number of projects that enabled a total of 323 people to gain the digital skills to access online services.
- Our Children and Young People's Participation Service provided over 730 sessions, which were attended by just over 25,000 children.
- Continued to fund Cambridge Citizens' Advice Bureau to provide vital local legal, debt and money advice free to city residents in most need, including the provision of outreach advice in two community centres and two GP settings.

Tackling the city's housing crisis and delivering our planning objectives

- Investigated nearly 280 complaints concerning housing standards and empty properties and served 25 enforcement notices and 2 fixed penalty notices to bring about improvements. One landlord was prosecuted for failure to comply with an improvement notice.
- Helped bring back into use 26 empty homes, ensured that 182 occupied properties were brought up to standard and trained 46 landlords and property agents in good housing management practice.
- Identified 21 new sites for council housing schemes that will deliver a net gain of 536 new council homes overall.
- Prevented or relieved from homelessness just over 260 households threatened with losing their homes, provided homelessness advice to 863 households and found accommodation for 112 people at risk of rough sleeping.
- Completed the introduction of a shared planning service, whilst maintaining performance levels above government targets, with 97% of all major decisions made on time.

Making Cambridge safer and more inclusive

- Dealt with just over 1,850 complaints relating to noise nuisance and served a total of 35 abatement notices.
- Dealt with over 500 cases of antisocial behaviour, of which 423 were assessed as being either medium or high risk.

- Cleared 1,080 incidents of fly-tipping, removed abandoned belongings found on the city centre streets and worked with local homeless charities to reunite belongings with their owners, where possible.
- Resettled over 100 refugees, helping them to integrate into the city and to become self-sufficient and independent.
- Continued to prioritise work to reduce domestic violence, achieving re-accreditation as a White Ribbon Campaign Local Authority. We continued work in local schools to raise awareness of older school children about child sexual exploitation, healthy relationships and sexual consent.

Investing in improving transport and tackling congestion

- Worked closely with Cambridge BID and other retailers to look at parking issues and delivery vehicle movements in Cambridge to try to move people away from using their car and reduce congestion, in a way that does not adversely affect local trade.
- Continued to work in partnership to help deliver Greater Cambridge Partnership infrastructure schemes, such as the Chisholm Trail, cross city cycling schemes and the West of Cambridge package, to support the sustainable growth of the city.
- Procured a new pay-by-phone supplier for our surface car parks, providing access by both phone and web-enabled mobile app, to make the customer experience better.
- Continued to work with our partners to develop the citywide provision of electric vehicle charging, to help make the city cleaner and greener.

Protecting our City's unique quality of life

- Continued to provide accessible swimming pools and sports facilities with just over 880,000 visits during the year.
- Provided a free exercise referral scheme for people attending two GP health centres located in disadvantaged areas in the city, with 142 individuals participating.
- Funded 97 voluntary and community groups through our £900,000 community grants programme. These groups delivered 137 services and activities to help reduce social or economic inequality among Cambridge residents with the greatest needs.
- Delivered an extensive programme of infrastructure, environmental and cultural improvements across our city's streets and open spaces, investing over £2 million in projects to enhance community cohesion and the quality of life of city residents and visitors.
- Continued to implement our Tree Strategy, to protect, manage and enhance our tree stock, planting 312 trees in our parks and open spaces, processing over 632 applications for works to protected private trees and served 45 tree preservation orders.

Protecting essential services and transforming council delivery

- Dealt with just under 320,000 contacts at our Council's Customer Service Centre and used self-serve technologies to improve our performance with 86% of calls resolved at first point of contact. The number of transactions through the internet has more than doubled over the past three years.
- Invested in additional commercial properties, with plans for more investment in coming years, to generate more income for the Council and to enhance the retail offering within the city centre.

- Worked with shared service partners to jointly procure replacements for major business systems to enable the redesign of services, to deliver services digitally to our customers and to reduce costs.
- £227 million in Housing Infrastructure Funding was awarded to relocate a waste water treatment plant working with Anglian Water to enable the development of a new mixed use residential and commercial quarter.
- Successfully relocated our operational depot from Mill Road to Cowley Road, freeing up land for the development of more than 230 homes, 50% of which will be council rented.

Tackling climate change, and making Cambridge cleaner and greener

- Collected 99.78% of household bins as planned, with 51% of household waste diverted from landfill.
- Made significant improvements to the energy efficiency of the Guildhall, installing LED lighting, double-glazing, improved controls on the heating system, replacement roofing and insulation and a photovoltaic system to provide fossil-free electricity.
- Supported our licensed taxi fleet to move away from diesel to ultra-low emission powered vehicles, with the number of fully electric taxis increasing from 2 to 25.
- Continued to apply the council's planning document on sustainable construction and energy and water efficiency to all major developments, achieving certification to Code Levels 4 and 5 and ensuring housing schemes met water efficiency requirements of no more than 110 litres/person/day.

Review of Financial Performance 2018/19

Revenue Spending and Income

General Fund Services

For 2018/19, the Council agreed a budget for net spending by committees of £22.8 million. The council tax for City Council services was set at £191.75 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 or the presentational requirements of the Code.

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

(£000s)	Final budget	Actual	Difference
Communities	7,476	7,585	109
Streets and Open Spaces	6,265	6,009	(256)
Environmental Services and City Centre	4,413	4,458	45
Planning, Policy and Transport	(971)	(1,047)	(76)
General Fund Housing	3,822	3,673	(149)
Finance and Resources	(5,183)	(6,272)	(1,089)
Strategy and Transformation	7,027	7,149	122
Total Portfolio Expenditure	**22,849**	**21,555**	**(1,294)**
Capital accounting adjustments	(6,323)	(6,363)	(40)
Capital plan expenditure funded from General Fund reserves	1,514	1,038	(476)
Total	**18,040**	**16,230**	**(1,810)**
Financed by:			
Revenue Support Grant	(571)	(571)	0
New Homes Bonus	(5,595)	(5,596)	(1)
Non-domestic rates share – net income	(3,757)	(3,929)	(172)
Non-domestic rates reliefs -- compensatory government grants	(1,205)	(1,522)	(317)
Other grants	(45)	(76)	(31)
Council tax	(8,227)	(8,227)	0
Net contributions to/(from) earmarked reserves – before year-end accounting adjustments	2,112	4,734	2,622
Contributions to/(from) General Fund reserves	(752)	(1,043)	(291)
Total	**(18,040)**	**(16,230)**	**1,810**

The Council's actual net portfolio revenue expenditure was £1,810,000 less than the final budget set for the year. A variety of factors contributed to this overall position, including underspends on shared services and higher levels of income on commercial property.

Under statutory regulation the amount of business rates credited to the General Fund in 2018/19 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 £489,000 above the budget.

As noted above the outturn presentation differs from that required by the Code for the Statement of Accounts. The table below reconciles the difference between the total spend as reported at outturn with the amount chargeable to the General Fund and that presented in the Comprehensive Income and Expenditure Statement (CIES).

(£000s)	Actual per outturn report	Depreciation and amortisation	Interest and property income reported below net cost of services in the CIES	Application of earmarked reserves for capital financing	Other adjustments	Net amount chargeable / (credited) to the General Fund
Communities	7,585	(1,899)	72	0	(60)	5,698
Streets and Open Spaces	6,009	(954)	282	0	201	5,538
Environmental Services and City Centre	4,458	(477)	116	0	(245)	3,852
Planning, Policy and Transport	(1,047)	(1,632)	105	0	(806)	(3,380)
General Fund Housing	3,673	(87)	146	0	(584)	3,148
Finance and Resources	(6,272)	(1,208)	8,486	0	272	1,278
Strategy and Transformation	7,149	(37)	91	0	(436)	6,767
Other Operating Income and Expenditure	0	0	(9,298)	0	(441)	(9,739)
Total Portfolio Expenditure	**21,555**	**(6,294)**	**0**	**0**	**(2,099)**	**13,162**
Capital accounting adjustments	(6,363)	6,294	0	0	56	(13)
Capital plan expenditure funded from General Fund reserves	1,038	0	0	3,660	344	5,042
Other statutory adjustments	0	0	0	0	(154)	(154)
Total	**16,230**	**0**	**0**	**3,660**	**(1,853)**	**18,037**
Financed by:						
Revenue Support Grant	(571)	0	0	0	0	(571)
New Homes Bonus	(5,596)	0	0	0	0	(5,596)
Non-domestic rates share – net income	(3,929)	0	0	0	(126)	(4,055)
Non-domestic rates reliefs – compensatory government grants	(1,522)	0	0	0	54	(1,468)
Other grants	(76)	0	0	0	(660)	(736)
Council tax	(8,227)	0	0	0	0	(8,227)
Net contributions to/(from) earmarked reserves	4,734	0	0	(3,660)	(854)	220
Contributions to/(from) General Fund reserves	(1,043)	0	0	0	3,439	2,396
Total	**(16,230)**	**0**	**0**	**(3,660)**	**1,853**	**(18,037)**

Overall, a net contribution to General Fund reserves of £2,396,000 has been reflected in the financial statements against a budgeted use of reserves of £752,000. At the 31 March 2019 the reserve stood at £15,777,000.

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 2020, with the final budget for 2018/19.

(£000s)	Final budget	Actual	Difference
Dwellings rents and other income	(42,172)	(42,205)	(33)
Expenditure	28,014	27,762	(252)
Net cost of HRA services	**(14,158)**	**(14,443)**	**(285)**
Interest receivable on HRA balances	(789)	(873)	(84)
Loan interest	7,513	7,514	1
Direct revenue financing of capital	597	727	130
Contributions from HRA earmarked reserves to general HRA reserves – before statutory adjustments	4,765	4,554	(211)
(Surplus) / deficit for the year	**(2,072)**	**(2,521)**	**(449)**

Income was slightly over-achieved overall. An underachievement of service charge income was recorded due to major refurbishment works and delays in selling shared ownership units. However, this was balanced by overachievements in rents for garages and commercial property and other contributions received.

There was a significant net overspend in repairs and maintenance, where there was a need to use sub-contractors to cover extensive staff training, upskilling and sickness. This was partially offset by technical delays to planned maintenance works. Investment in services as part of the Housing Transformation Programme was not completed in full during 2018/19 with some of the work being delivered in 2019/20.

Overall, the final outturn position in the Statement of Accounts (following statutory and other adjustments) was a contribution to HRA reserves of £2,600,000 against a budgeted contribution to reserves of £2,072,000. HRA reserves stood at £11,620,000 at 31 March 2019.

Earmarked Reserves

There was an overall increase in General Fund earmarked reserves of £220,000 in 2018/19. This reflected a number of factors including contributions (net of expenditure) of £592,000 to support the Greater Cambridge Partnership, expenditure (net of contributions) of £1,859,000 on the Office Accommodation Strategy and contributions of £782,000 to the A14 Mitigation Fund earmarked reserves.

There was an overall increase in HRA earmarked reserves of £4,556,000. A contribution of £4,472,000 was made to a fund for possible future redevelopment or debt redemption.

Capital Spending and Receipts

In 2018/19 the Council spent £54,023,000 on property, plant and equipment. Of this, £1,211,000 was on major repairs and improvements to council dwellings, £4,983,000 on new dwellings completions, £30,212,000 on other land and buildings, £2,725,000 on vehicles, plant and equipment, £11,000 on infrastructure and £14,881,000 on assets under construction. Of the assets under construction spend, £12,529,000 was on new housing developments. £11,191,000 of new council dwellings were completed in year and therefore transferred from assets under construction at the end of the year. These included extra care facilities in Ditchburn Place and new dwellings at Tuscan Court and Hawkins Road. The spend on other land and buildings included £27,000,000 on land at Cromwell Road, which was sold to Cambridge Investment Partnership for private and affordable house building.

In addition to the above, the Council also added 2 further units to its portfolio of investment properties at a cost of £1,232,000.

Capital receipts continued to be generated through the sale of land, council houses, shared ownership dwellings and other property. Disposal proceeds for the year were £34,906,000 (including £27,000,000 for the Cromwell Road land as above), of which £7,874,000 was in relation to the disposal of housing properties. £1,134,000 of housing receipts were paid to central government.

The Council's future commitments under capital contracts are detailed further in note 18 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 decreased by £13,680,000 to £781,963,000 and the value of investment property decreased by £4,499,000 to £170,782,000 as at 31 March 2019. Although these movements appear significant, it should be noted that revaluation gains and losses are not realised until asset disposals take place.

Liabilities

The Council did not need to undertake any new external borrowing during the year. The external debt of £213.6 million shown in the Balance Sheet at the end of the financial year relates to borrowing 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 Cambridgeshire Pension Fund show an estimated net liability of £138.0 million at 31 March 2019. This liability has no impact on the level of the Council's usable reserves.

The net pension liability has increased this year by £24.5 million. This net figure reflects a number of factors used by the actuary to estimate the Council's scheme liabilities. Further information on this change and relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented in note 35.

Cash Flows

The balance of cash and cash equivalents at 31 March 2019 was £7,661,000. This excludes the Council's investments in fixed term deposits and other longer term investments which are detailed in note 22. Further information on cash flows for the year can be found in the Cash Flow Statement and accompanying notes (notes 36-39).

Council Staff

The number of staff employed by the Council decreased during the year from 698 full-time equivalents at 31 March 2018 to 683 at 31 March 2019.

Trade Union Facility Time

Details of trade union facility time can be found at www.cambridge.gov.uk/open-data.

Group Performance

The Statement of Accounts include the Group Financial Statements which include the performance of the Council's wholly owned subsidiary, Cambridge City Housing Company and that of the Cambridge Investment Partnership LLP, a joint venture. During the year the Council took control of Cambridge Live and Cambridge Live Trading Limited, which have been consolidated as subsidiaries from 1 October 2018.

Looking Ahead to 2019/20

Following on from the implementation of a number of shared service arrangements, with both South Cambridgeshire and Huntingdonshire District Councils, no further shared services are being developed at this time. The Council is working to ensure that these new delivery arrangements are working efficiently and effectively and are subject to appropriate governance arrangements.

The Council continues to explore sites for redevelopment and the provision of new affordable homes with Cambridge Investment Partnership LLP. It is also considering opportunities afforded by the removal of the HRA borrowing cap, which would allow it to fund new affordable homes from borrowing.

The Council is well placed to deal with the challenges of reduced central government funding, including the withdrawal of the Revenue Support Grant and changes to New Homes Bonus, but there will continue to be financial pressures. There remains uncertainty around the proposed move to 75% business rates retention and the outcomes of the Fair Funding Review. The Council will continue to work to understand the implications and the risks that these changes to local government funding will bring in the future.

Further Information

Further information about the accounts is available from:

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

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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Head of Finance's Responsibilities

The Head of Finance 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 (the 'Code').

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance 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 2019 and of its income and expenditure for the year then ended.

Caroline Ryba, Head of Finance
XX June 2020

I confirm that these accounts were approved by the Civic Affairs Committee at its meeting held on 4 June 2020.

Cllr Mike Sargeant, Chair of Civic Affairs Committee
XX June 2020

Introduction and purpose

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that is also provides value for money. It has to effectively manage its risks and put in place proper arrangements for the governance of its affairs.

Definition of Corporate Governance

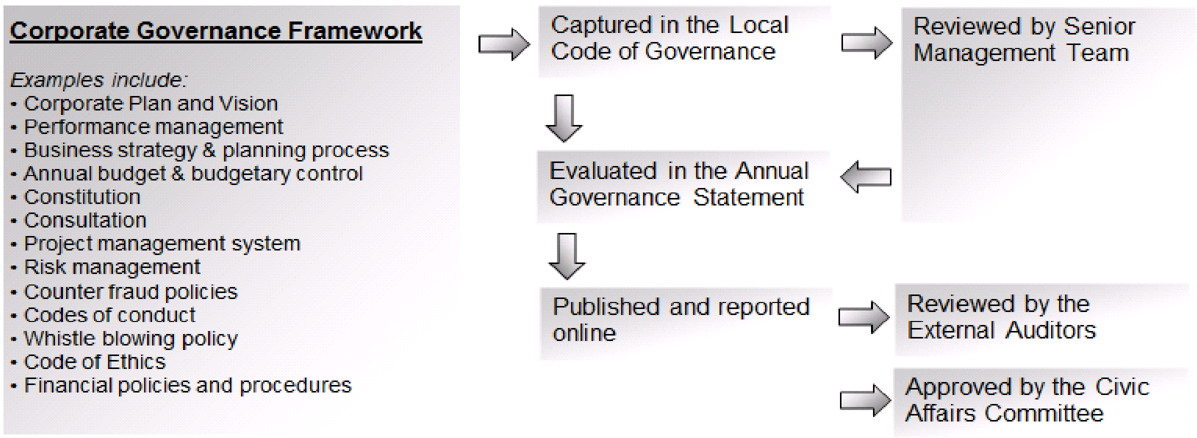
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

Good governance in the public sector means: "*achieving the intended outcomes while acting in the public interest at all times*".

The Governance Framework

Our governance framework comprises the culture, values, systems, and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

The Council has a robust process for reviewing and updating the governance Framework



The Council has aims and objectives which are published on our website[1]. The Council has a clear vision to "*lead a united city, in which a dynamic economy and prosperity are combined with social justice and equality*" The vision has three main aims, captured in the annual statement:

- to make Cambridge fair for all;
- to make it a great place to live, learn and work; and
- caring for the planet.

[1] https://www.cambridge.gov.uk/vision-statement

The Council produces a Corporate Plan[2], which sets strategic objectives under seven themes:

- Delivering sustainable prosperity for Cambridge and fair shares for all
- Tackling the city's housing crisis and delivering our planning objectives
- Making Cambridge safer and more inclusive
- Investing in improving transport and tackling congestion
- Protecting our city's unique quality of life
- Tackling climate change, and making Cambridge cleaner and greener
- Protecting essential services and transforming council delivery

The Council prepares an Annual Report illustrating progress against the plan each year, and this is published on the website[3].

The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

Local Code of Governance

We are responsible for ensuring that there is a sound system of governance which incorporates the system of internal control.

This Governance Framework is recorded in our Local Code of Governance[4], which is underpinned by the 7 principles of good governance as set out in the CIPFA / SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'. The principles are:

A. behaving with integrity and in accordance with our core values

B. being open and ensuring effective engagement takes place

C. working together to achieve our intended outcomes

D. setting goals for economic, social, and environmental benefits and reaching them

E. growing our capacity – including our leadership and the people who work with us

F. managing risks and performance through robust internal control and strong financial management

G. implementing good practice in transparency, reporting and audit – delivering effective accountability

[2] https://www.cambridge.gov.uk/corporate-plan
[3] https://www.cambridge.gov.uk/corporate-plan
[4] https://www.cambridge.gov.uk/code-of-corporate-governance

Role and responsibilities

All of the Council is responsible for developing and complying with its Local Code of Governance. There are a variety of governance structures, and some of the key roles include:

Governance structures	Roles and responsibilities
Council	Council agrees the budget and policy framework, such as the Corporate Plan and Medium Term Financial Strategy. Further details are published on our website[5].
The Executive	The Executive comprises the Leader of the Council and six executive councillors. The executive councillors make decisions relating to the major service areas. These councillors can make decisions individually, usually at a meeting of a scrutiny committee relevant to their executive area. They also meet collectively to determine the Council's budget and Medium Term Financial Strategy. Further details are published on our website[6].
Scrutiny and overview committees	To balance the Executive's powers, scrutiny committees are responsible for advising and reviewing decisions. They hold the Executive to account to make sure the best decisions are taken for the Council and local residents. Further details are published on our website: ♦ Environment and Community Scrutiny Committee[7] ♦ Housing Scrutiny Committee[8] ♦ Planning and Transport Scrutiny Committee[9] ♦ Strategy and Resources Scrutiny Committee[10]
Strategic Leadership Team	The management structure includes a Strategic Leadership Team of a Chief Executive, Strategic Directors, the Head of Corporate Strategy and the Head of Finance. It is supported by a Senior Management Team. Both teams consider policy formulation and future planning. Further details are published on our website[11].

[5] https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=116
[6] https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=175
[7] https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=476
[8] https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=414
[9] https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=475
[10] https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=159
[11] https://www.cambridge.gov.uk/senior-council-officers

Governance structures	Roles and responsibilities
Civic Affairs Committee	The Civic Affairs Committee also plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council and is responsible for corporate governance issues including: ♦ electoral issues; ♦ audit and regulatory financial matters; ♦ civic and democratic process management issues; and ♦ miscellaneous regulatory responsibilities It works closely with both Internal Audit and senior management to continually improve the governance, risk and control environment. Meetings details and minutes are published on the website[12].

Purpose of the Annual Governance Statement

The Council conducts a review of its system of internal control, prepares and publishes an Annual Governance Statement in each financial year.

This enables us to demonstrate whether, and to what extent, the Council complied with its Local Code of Governance.

The Local Code of Governance is updated regularly. This process records our good practice, and also helps us to plan further action which can improve our governance arrangements.

Statutory compliance

Producing the Annual Governance Statement helps the Council meet the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015. It is reviewed by the Civic Affairs Committee and approved in advance of the Statement of Accounts.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for local authorities as part of the government's ongoing austerity programme.

The Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Other review and assurance mechanisms

Management have helped to review the Local Code of Governance, and also inform the Annual Governance Statement. In addition, assurance can be provided from other sources, as detailed below:

[12] https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=179

Head of Internal Audit Opinion

The Head of Internal Audit provides an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. This has been considered in the development of the Annual Governance Statement.

The Annual Report was presented to the Civic Affairs Committee in July 2019. This report outlined the key findings of the audit work undertaken during 2018/19, including any areas of significant weakness in the internal control environment.

From the audit reviews undertaken, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed up by Internal Audit and is reported to Civic Affairs Committee.

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2018/19, and this remains at a similar level to the previous year.

External Audit

Ernst & Young (now EY) are the appointed external auditor.

Investors in People

Following a visit from an assessor in October and November 2018, the Council has once again been successful in meeting the Investors in People (IiP) standard. The IiP standard is a national measure of good practice for employers in terms of the training and development opportunities provided for staff.

Progress from the last Annual Governance Statement

The Council prepared an Annual Governance Statement for 2017/18[13] which was approved by the Civic Affairs Committee. An update on the previous action plan is included below:

Action	Update and status
Project Governance	The Council has completed regular monitoring and reporting of major projects throughout the year. A project management audit and health check helped to inform a programme to help improve our project governance approach during 2018/19. Consequently a revised governance approach to project management was implemented. In addition, the Council has committed to implementing a new computerised Project Management System which will help improve management and monitoring.
GDPR readiness	Following preparation for the General Data Protection Regulations, the Council implemented procedural changes to reflect the new legislation The Council also recognises that this is an evolutionary process, and has developed a continuous treatment plan in response to emerging good practice from both the General Data Protection Regulations and the Data Protection Act 2018. This is monitored through an Information Security Group, and chaired by a Data Protection Officer and Senior Risk Information Officer.
Capacity to deliver services from loss of key personnel	The Council recognises the ongoing difficulty recruiting in some areas and, as services undergo change, may be more at risk of losing key personnel. To help manage the risk the Council has undertaken a number of activities. The Organisational Development Strategy was published in March 2018. Subsequently the Recruitment and Retention policies were reviewed during the year. In addition, the Council approved revisions to the Council's pay scale, considered the Pay Policy Statement and considered the annual Equality in Employment – End of Year Workforce report.
Impact of external change	The Council has actively consulted with stakeholders, and developed new policies and procedures where required to help manage the potential risks arising from external sources and changes in legislation. The Council is still potentially impacted by the Fair Funding Review and Brexit, and these are included in the current action plan.

[13] https://www.cambridge.gov.uk/media/5059/statement-of-accounts-2017-18.pdf

Action	Update and status
Implement actions from the Peer Challenge	The Council participated in a Local Government Association peer challenge. This enabled us to reflect on our delivery and forward thinking, the things we do well, and our opportunities to improve. The Strategic Leadership Team has been delivering the action plan during the year.

Review of effectiveness

The Council has a number of policies and procedures which are recorded in its Local Code of Governance. These are mapped to the 7 principles of good governance.

The effectiveness of the key elements of the governance framework is reviewed throughout the year. The review is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.

Ongoing good practice is recorded in the Local Code of Governance[14] and the review concludes that the Council has complied with its code. Additional examples of good practice from the last twelve months, and governance issues, considered when completing the review are recorded below:

Principle	Review of effectiveness
A Behave: integrity, ethical values, respect rule of law	♦ The Local Code of Governance was reviewed and updated to reflect the latest professional standards and guidance. ♦ The Council approved the revised Comprehensive Equalities and Diversity Policy and approved the Single Equality Scheme 2018-2021. The Comprehensive Equalities and Diversity Policy set out the Council's commitment to promoting equality and diversity, including through its role as an employer and a provider of services to the public. The Single Equality Scheme set out how the organisation would challenge discrimination and promote equal opportunities in all aspects of its work over the next 3 years.

[14] https://www.cambridge.gov.uk/code-of-corporate-governance

Principle	Review of effectiveness
B Openness & stakeholder engagement	♦ A Digital Transformation Strategy was approved for the Council. The strategy set out a vision and ambition for the Council to use new technologies to improve customer services, improve productivity, achieve efficiencies, and open up possibilities for involving and engaging residents in a new way. ♦ In August the Council launched a new refreshed website, and this was supported by an online customer portal: https://my.cambridge.gov.uk/. ♦ Council adopted the Cambridge Local Plan 2018, and the Cambridge Policies Map 2018. The Local Plan sets out policies and proposals to guide future development and sets the framework for determining planning applications. Local Plans are shaped by early, proportionate and effective engagement with a wide variety of stakeholders. The Cambridge Local Plan was submitted for Examination on 28 March 2014 alongside the South Cambridgeshire Local Plan. Lead and Assistant Inspectors were appointed to carry out the Examination of both local plans in parallel, given the interrelationships and the joint nature of much of the evidence. Independent inspectors had concluded that the plan was sound, and could be adopted as part of the Development Plan. ♦ Following a periodic review, and a 12-week consultation, the Council approved the Statement of Gambling Principles. Cambridge City Council, as the Licensing Authority, is required to discharge its responsibilities under the Gambling Act 2005 with a view to promoting the three licensing objectives, namely; preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime; ensuring that gambling is conducted in a fair and open way; and protecting children and other vulnerable persons from being harmed or exploited by gambling. ♦ The Council undertook various consultations and engagements with stakeholders, including: ○ Residents were asked to give their ideas for ways to improve the city centre as part of the work for the ‘Making Space For People’ project. ○ A consultation on the Council’s Air Quality Action Plan was launched on national Clean Air Day. ○ Initial plans for redeveloping the Cambridge Northern Fringe area were published ahead of a public consultation.

Principle	Review of effectiveness
C Defining outcomes – economic, social, environmental	♦ The Council has a Corporate Plan, which defines outcomes and sets out strategic level objectives. It is reviewed periodically and a new Corporate Plan 2019-2022 was set during the year. This introduced five new strategic objectives: ○ Helping people in Cambridge who have the greatest need ○ Planning for growth and ensuring our new communities are successful ○ Protecting our environment and tackling climate change ○ Delivering quality services within financial constraints ○ Developing effective partnerships and an innovative and dynamic organisation ♦ Performance, achievements, and further actions linked to the Corporate Plan are included in the Corporate Plan Annual Report. The 2018/19 annual report was presented to the Strategy and Resources Scrutiny Committee in July. ♦ The Council received updates on significant development, such as the current status of the Cambridge Northern Fringe East, proposals for the site and next step actions. ♦ The Council produced a revised and updated Anti-Poverty Strategy for the period from April 2017 to March 2020. The Council's Anti-Poverty Strategy aims to: improve the standard of living and daily lives of those residents in Cambridge who are currently experiencing poverty; and to help alleviate issues that can lead households on low incomes to experience financial pressures. ♦ The Council approved a single "Waste Collection Service Policies and Procedures" document setting out the service that Greater Cambridge Shared Waste Service would deliver for the residents of both Cambridge City Council and South Cambridgeshire District Council. ♦ The Council signed up to the Oxford Charter for Cleaner Air. The purpose of the Charter is to maintain pressure on central government to take steps to reduce illegal levels of air pollution and to recognise the crucial role local authorities play in this area by providing them with adequate funding, powers and new legislation to be able to fulfil their role and deliver local air quality action plans and other actions.

Principle	Review of effectiveness
D Determine interventions to achieve outcomes	♦ The 2018/19 Corporate Plan Annual Report highlights examples of actions which were completed to achieve our outcomes. ♦ The Council adopted the Sustainable Food Policy Statement, acknowledging the innovative work that is taking place across Cambridge to help the city become a leader in sustainable food practice. ♦ The Civic Affairs Committee reviewed the annual report of the complaints, comments and compliments and subsequently considered an update report for the waste services during the period of April - December 2018. ♦ The Civic Affairs Committee received the annual report on transparency, including Data Protection, Freedom of Information and Environmental Information Regulations. In addition, they noted the Council was managing the changes to information legislation under GDPR & Data Protection Act 2018 in May 2019. ♦ The Housing Scrutiny Committee considered the report on Rough Sleeping, and endorsed the work already being carried out by the Homelessness team and our partners in delivering services to rough sleepers.
E Develop capacity and capability of entity	♦ Members were appointed to panels, with examples including Equalities, Joint Staff Employment Forum; and to outside bodies including: Greater Cambridge Partnership Executive Board, Local Government Information Unit, East of England Local Government Association, LGA General Assembly, Horizons Board, and the Cambridge Investment Partnership. This proactively helps the Council to work effectively with our partners. ♦ A number of initiatives were completed to develop the capacity of the organisation: Recruitment policies and guidance were updated during the year; council staff transferred to the new Greater Cambridge Shared Planning Service; the new Real Living Wage rate for 2018-19 was announced during Living Wage Week; and the Council maintained its Investors in People accreditation. ♦ The Council received updates on the work of the Cambridgeshire and Peterborough Business Board (former Greater Cambridge Greater Peterborough Local Enterprise Partnership), Greater Cambridge Partnership and other growth-related partnerships. This is provided as a part of the Council’s commitment, given in its “Principles of Partnership Working”, to set out annual reports summarising the work of the key partnerships it is involved with.

Principle		Review of effectiveness
F	**Manage risk & performance, internal control, finance**	♦ The Council continued to implement the new Financial Management System, working on the Budgeting and Forecasting modules, to develop resilience and introduce smarter ways of working. Training and coaching was delivered to management and budget holders. ♦ The Council presented a Corporate Plan Annual Report which shows what was achieved under the seven corporate priorities. ♦ A Quality Assurance and Improvement Program, of compliance to the Public Sector Internal Audit Standards and the Local Government Application Note, was completed as good practice. An external assessment provided assurance that the service "generally conforms" with both standards, and this was reported to the Civic Affairs Committee. ♦ Scrutiny committees received business plans for the shared services, and annual performance reports. This communicated that increased collaborative working between partners is assisting in delivering the benefits set out in the original business plans.
G	**Transparency, reporting, audit, accountability**	♦ The Council received an unqualified opinion on the Statement of Accounts for 2017/18. There was a delay to the approval of the 2018/19 Statement of Accounts. Both the Council and the externally appointed auditors have worked together to conclude these as promptly as possible, and progress updates have been communicated to the Civic Affairs Committee. ♦ Council approved amendments to the Constitution which set out changes to the scrutiny committees and a review of the decision making process. It was agreed to create an Environment and Community Scrutiny Committee which will scrutinise the decisions of three executive councillors (Communities; Environmental Services & City Centre; Streets & Open Spaces) and create a Planning and Transport Scrutiny Committee which will scrutinise the decisions of one executive councillor (Planning Policy and Transport). This will help to balance workloads and reflect the changing service, delivery and partnership landscape.

Action plan

The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

The review process has helped us to identify some opportunities to improve the governance arrangements over the next twelve months. Some of these may feature in previous statements where the work is ongoing. They address both significant governance issues that have arisen during 2018/19, and also forward looking matters identified for 2019/20. These actions are captured in existing corporate plans and strategies.

Subject	Actions	Responsible Officers
Brexit Risk Management	There are a number of potential risks associated with Brexit, and the Council has been proactively managing these. Potential considerations include legislative risk, where functions are defined by EU standards and regulations, and supply chain risk which may impact the availability of resources. The Council has also been working with the Cambridgeshire Resilience Forum, to help manage the impact to communities across Cambridgeshire. There continues to be a reasonable amount of uncertainty, and the Council will continue to identify and manage the relevant risks over the next 12 months. To help provide assurance that the Council is taking all reasonable steps, resource has been included in the Internal Audit Plan to independently review the management of risks.	Chief Executive working with the Strategic Leadership Team and the Cambridgeshire Resilience Forum
Business Transformation	The Council is committed to delivering Business Transformation, and a revised governance framework for project management was implemented in 2018/19. This has helped to improve the accountability, risk management, performance and scrutiny, which is important as the Council aims to deliver significant projects. The Council has also committed to implementing a new Enterprise Portfolio Management System. This is a computer application which can potentially improve the management and monitoring of project delivery through smarter working. The Council has appointed to a new Head of Transformation post, which will help to provide capacity and support the Council deliver Business Transformation. These planned changes should help enable projects to be delivered efficiently and economically.	Chief Executive working with the Strategic Leadership Team and the Cambridgeshire Resilience Forum

Subject	Actions	Responsible Officers
Cultural Events	The charity 'Cambridge Live' was established in 2014 to take advantage of operating efficiencies, cost savings and income generating opportunities, and provide a more innovative and flexible environment in which cultural activity in Cambridge could thrive for the benefit of local people. The Council decided to bring 'Cambridge Live' back in-house in December 2018. The decision was made in the best interests of the beneficiaries of these services and to ensure a successful and financially sustainable future for all cultural activity covered by the contract. Bringing services back in-house has potential risks and opportunities, and the Council has been actively managing these. Detailed financial modelling work was undertaken, to ensure a smooth transfer for services, staff and customers. The immediate priority was to stabilise the organisation and manage the transition well. The Council is now drafting terms of reference to commission an external review of the service, to be agreed with the Environment and Community Scrutiny Committee. This will help the Council to benefit from any lessons learnt, and can be used when considering other alternative delivery models and future projects.	Strategic Director, working with the Head of Community Services, Customer & Community Services
Business Continuity	The Council has a positive track record of responding to and managing unplanned events. A number of unplanned Information Technology disruptions occurred during the current year and consequently business continuity plans were used to maintain services for our customers. It is important that the Council continues to be prepared for unknown events, and has robust business continuity arrangements. Our capability should continuously be reviewed as we increasingly leverage use of technology for smarter working. As good practice we will review the effectiveness of the Business Continuity arrangements and communicate any opportunities for improvement throughout the organisation.	Chief Executive working with the Strategic Leadership Team

Subject	Actions	Responsible Officers
Resources and funding	There are risks which could adversely impact our finance and resources, which are caused by unplanned events from external sources and changes in legislation. Examples include Business Rates Retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit. The Council manages its financial risks, undertakes financial modelling, and reports long term budgets through the Medium Term Financial Strategy. This considers known external factors, including the overall economic climate, and external funding levels which can reasonably be expected; as well as the existing commitments of the Council. There is potential for additional financial pressures, which could be challenging to manage over the longer term, should uncertain risks materialise and if available funding is less than budgeted. Consequently this could impact our capacity to maintain service delivery. The Council will continue to prepare for these risks, and will respond to any further pressures by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures.	Strategic Director, working with the Strategic Leadership Team

Conclusion

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders.

We are satisfied that the planned actions will improve our governance arrangements, identified from our review of effectiveness. We will monitor their implementation and operation throughout the year and report their progress as part of our next annual review.

Independent Auditor's Report to the Members of Cambridge City Council (DRAFT – SUBJECT TO CHANGE)

Opinion

We have audited the financial statements of Cambridge City Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Comprehensive Income and Expenditure Statement
- Authority and Group Movement in Reserves Statement
- Authority and Group Balance Sheet
- Authority and Group Cash Flow Statement
- Authority related notes 1 to 43
- Group related note 1 to 12
- Housing Revenue Account Income and Expenditure Account
- Statement of Movement on the Housing Revenue Account Balance
- Housing Revenue Account notes 1 to 10
- Collection Fund and the related notes 1 to 7
- 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridge City Council as at 31 March 2019 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 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2018/19 set out on pages i to xxvi, other than the financial statements and our auditor's report thereon. The Head of Finance and Section 151 Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2019.

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 Authority;
- 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.

Responsibility of the Head of Finance and Section 151 Officer

As explained more fully in the Statement of Responsibilities set out on page xii, the Head of Finance and Section 151 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance and Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 2017, as to whether Cambridge City 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 Cambridge City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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 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.

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.

Use of our report

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.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
XX June 2020

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 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 2018/19

(£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 2018	**(13,381)**	**(24,828)**	**(9,020)**	**(11,125)**	**(40,487)**	**(8,154)**	**(5,415)**	**(112,410)**	**(638,203)**	**(750,613)**
Movement in reserves during 2018/19										
(Surplus) / deficit on the provision of services	7,542	0	(12,091)	0	0	0	0	(4,549)	0	(4,549)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	22,471	22,471
Total comprehensive income and expenditure	**7,542**	**0**	**(12,091)**	**0**	**0**	**0**	**0**	**(4,549)**	**22,471**	**17,922**
Adjustments between accounting basis and funding basis under regulations (note 5)	(10,158)	0	4,935	0	(14,561)	(3,070)	(5,075)	(27,929)	27,929	0
Net (increase) / decrease before transfers to earmarked reserves	**(2,616)**	**0**	**(7,156)**	**0**	**(14,561)**	**(3,070)**	**(5,075)**	**(32,478)**	**50,400**	**17,922**
Transfers to / from earmarked reserves (note 6)	220	(220)	4,556	(4,556)	0	0	0	0	0	0
(Increase) / decrease in year	**(2,396)**	**(220)**	**(2,600)**	**(4,556)**	**(14,561)**	**(3,070)**	**(5,075)**	**(32,478)**	**50,400**	**17,922**
Balance at 31 March 2019	**(15,777)**	**(25,048)**	**(11,620)**	**(15,681)**	**(55,048)**	**(11,224)**	**(10,490)**	**(144,888)**	**(587,803)**	**(732,691)**

Financial year 2017/18

(£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 2017	**(15,412)**	**(23,377)**	**(10,179)**	**(4,241)**	**(32,293)**	**(5,549)**	**(4,231)**	**(95,282)**	**(600,560)**	**(695,842)**
Movement in reserves during 2017/18										
(Surplus) / deficit on the provision of services	2,026	0	(19,852)	0	0	0	0	(17,826)	0	(17,826)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(36,945)	(36,945)
Total comprehensive income and expenditure	**2,026**	**0**	**(19,852)**	**0**	**0**	**0**	**0**	**(17,826)**	**(36,945)**	**(54,771)**
Adjustments between accounting basis and funding basis under regulations (note 5)	(1,446)	0	14,127	0	(8,194)	(2,605)	(1,184)	698	(698)	0
Net (increase) / decrease before transfers to earmarked reserves	**580**	**0**	**(5,725)**	**0**	**(8,194)**	**(2,605)**	**(1,184)**	**(17,128)**	**(37,643)**	**(54,771)**
Transfers to / from earmarked reserves (note 6)	1,451	(1,451)	6,884	(6,884)	0	0	0	0	0	0
(Increase) / decrease in year	**2,031**	**(1,451)**	**1,159**	**(6,884)**	**(8,194)**	**(2,605)**	**(1,184)**	**(17,128)**	**(37,643)**	**(54,771)**
Balance at 31 March 2018	**(13,381)**	**(24,828)**	**(9,020)**	**(11,125)**	**(40,487)**	**(8,154)**	**(5,415)**	**(112,410)**	**(638,203)**	**(750,613)**

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	2018/19			2017/18		
		Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Communities		9,844	(934)	8,910	12,230	(795)	11,435
Streets and Open Spaces		10,964	(3,093)	7,871	10,286	(2,937)	7,349
Environmental Services and City Centre		8,030	(3,535)	4,495	7,723	(2,680)	5,043
Planning, Policy and Transport		10,108	(11,932)	(1,824)	12,554	(12,845)	(291)
General Fund Housing		6,509	(2,098)	4,411	6,428	(1,668)	4,760
Housing Revenue Account		40,651	(41,575)	(924)	19,671	(41,437)	(21,766)
Finance and Resources	4	40,686	(37,804)	2,882	42,493	(39,736)	2,757
Strategy and Transformation		7,394	(94)	7,300	6,085	(856)	5,229
Cost of Services		**134,186**	**(101,065)**	**33,121**	**117,470**	**(102,954)**	**14,516**
Other operating expenditure	7	1,134	(2,312)	(1,178)	3,119	(4,543)	(1,424)
Financing and investment income and expenditure	4/8	13,873	(6,708)	7,165	13,831	(16,000)	(2,169)
Taxation and non-specific grant income	4/9	0	(43,657)	(43,657)	0	(28,749)	(28,749)
(Surplus) / deficit on the provision of services	**1**	**149,193**	**(153,742)**	**(4,549)**	**134,420**	**(152,246)**	**(17,826)**
Items that will not be reclassified to the (surplus) / deficit on the provision of services							
(Surplus) / deficit on revaluation of non-current assets and impairment losses charged to revaluation reserve	4/32			3,160			(30,819)
Remeasurements of the net defined benefit liability	4/35			19,311			(5,454)
				22,471			**(36,273)**
Items that may be reclassified to the (surplus) / deficit on the provision of services							
(Surplus) / deficit on revaluation of available for sale financial assets				0			(672)
Other comprehensive (income) / expenditure				**22,471**			**(36,945)**
Total comprehensive (income) / expenditure				**17,922**			**(54,771)**

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 2019	31 March 2018
Property, plant and equipment	14	781,963	795,643
Heritage assets		669	669
Investment property	19	170,782	175,281
Intangible assets		336	318
Long term investments	22	57,062	32,775
Long term debtors	23	3,745	11,512
Long term assets		**1,014,557**	**1,016,198**
Short term investments	22	79,317	73,176
Assets held for sale	24	0	67
Inventories		133	151
Short term debtors	25	20,574	17,832
Cash and cash equivalents	26	7,661	8,248
Current assets		**107,685**	**99,474**
Short term borrowing	33	(82)	(82)
Short term creditors	27	(29,137)	(22,873)
Receipts in advance	28	(4,185)	(4,272)
Provisions	29	(4,445)	(4,467)
Current liabilities		**(37,849)**	**(31,694)**
Long term borrowing	33	(213,572)	(213,572)
Other long term liabilities	35	(138,035)	(113,585)
Capital grants receipts in advance	30	0	(6,208)
Receipts in advance		(95)	0
Long term liabilities		**(351,702)**	**(333,365)**
Net assets		**732,691**	**750,613**
Usable reserves	31	(144,888)	(112,410)
Unusable reserves	32	(587,803)	(638,203)
Total reserves		**(732,691)**	**(750,613)**

Caroline Ryba, Head of Finance **XX June 2020**

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	2018/19	2017/18
Net surplus or (deficit) on the provision of services		4,549	17,826
Adjustment to surplus or deficit on the provision of service for non-cash movements	36	76,759	32,338
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	36	(56,588)	(33,660)
Net cash flows from operating activities		**24,720**	**16,504**
Net cash flows from investing activities	37	(28,654)	(25,705)
Net cash flows from financing activities	38	3,347	2,434
Net increase / (decrease) in cash and cash equivalents		**(587)**	**(6,767)**
Cash and cash equivalents at the beginning of the year	26	8,248	15,015
Cash and cash equivalents at the end of the year	26	**7,661**	**8,248**

Index to the notes to the main financial statements

1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

(£000s)	2018/19					2017/18				
	Net amount chargeable to the General Fund and HRA Balances	Adjustments for capital purposes	Net change for pensions adjustments	Other differences	Net expenditure in the Comprehensive Income and Expenditure Statement	Net amount chargeable to the General Fund and HRA Balances	Adjustments for capital purposes	Net change for pensions adjustments	Other differences	Net expenditure in the Comprehensive Income and Expenditure Statement
Communities	5,698	2,757	455	0	8,910	5,652	5,372	411	0	11,435
Streets and Open Spaces	5,538	1,273	1,060	0	7,871	5,464	1,061	824	0	7,349
Environmental Services and City Centre	3,852	614	29	0	4,495	4,286	355	402	0	5,043
Planning, Policy and Transport	(3,380)	1,105	451	0	(1,824)	(2,342)	1,325	726	0	(291)
General Fund Housing	3,148	882	381	0	4,411	3,409	887	414	50	4,760
Housing Revenue Account	(13,992)	12,576	492	0	(924)	(16,708)	(5,436)	378	0	(21,766)
Finance and Resources	1,278	1,208	396	0	2,882	1,110	1,241	406	0	2,757
Strategy and Transformation	6,767	1,634	(1,101)	0	7,300	6,194	595	(1,561)	1	5,229
Net Cost of Services	**8,909**	**22,049**	**2,163**	**0**	**33,121**	**7,065**	**5,400**	**2,000**	**51**	**14,516**
Other income and expenditure	(18,681)	(20,851)	2,976	(1,114)	(37,670)	(12,210)	(22,069)	3,007	(1,070)	(32,342)
(Surplus) / deficit for the year	**(9,772)**	**1,198**	**5,139**	**(1,114)**	**(4,549)**	**(5,145)**	**(16,669)**	**5,007**	**(1,019)**	**(17,826)**
Plus opening General Fund and HRA Balance	(58,354)					(53,209)				
Closing General Fund and HRA Balance at 31 March 2019*	**(68,126)**					**(58,354)**				

* For a split of this balance between the General Fund and HRA balances see the Movement in Reserves Statement.

Income and expenditure are analysed subjectively as follows:

(£000s)	2018/19	2017/18
Employee benefit expenses	36,331	36,700
Other service expenses	69,493	68,973
Depreciation, amortisation and impairment	30,096	15,704
Interest payments and investment income expenses	12,139	12,082
Payments to Housing Capital Receipts Pool	1,134	961
Total expenditure	**149,193**	**134,420**
Fees, charges and other service income	(63,293)	(64,049)
Interest and investment income	(4,782)	(14,111)
Income from council tax	(8,234)	(7,830)
Income from non-domestic rates	(5,370)	(4,655)
(Gain) or loss on the disposal of non-current assets	(2,312)	(4,543)
Government grants, contributions and donations	(69,751)	(57,058)
Total income	**(153,742)**	**(152,246)**
Surplus on the provision of services	**(4,549)**	**(17,826)**

Fees, charges and other service income is analysed by segment as follows:

(£000s)	2018/19	2017/18
Communities	(675)	(480)
Streets and Open Spaces	(2,630)	(2,887)
Environmental Services and City Centre	(3,260)	(2,681)
Planning, Policy and Transport	(11,956)	(12,677)
General Fund Housing	(1,188)	(837)
Housing Revenue Account	(41,046)	(41,408)
Finance and Resources	(505)	(743)
Strategy and Transformation	(107)	(447)
Financing and investment income	(1,926)	(1,889)
Fees, charges and other service income	**(63,293)**	**(64,049)**

In addition to this external income, interest and investment income above includes rental income from the Council's investment property portfolio of £10,444,000 (£9,941,000 in 2017/18).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 82 to 99, 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.

3 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 2019 is estimated to be £138.0 million (£113.6 million at 31 March 2018) and the estimated effects on the liability of changes in individual assumptions are disclosed in note 35.

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 £1,378,000 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%.

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 2019 following successful rating valuation appeals. The Council’s share of this provision is £4.0 million (£4.1 million at 31 March 2018) as disclosed in note 29. The provision has been calculated using an estimate of the likely remaining average reduction in rateable values over the life of the 2017 Valuation Office Agency (VOA) ratings list, plus an estimate of the amounts which will be required to settle appeals still outstanding on the 2010 ratings list. The estimates are based upon historical experience, and the Council has employed relevant experts to assist with this process. However, it remains possible that appeals may be settled at amounts which differ from these estimates.

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. 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 15, 20 and 33.

4 Comprehensive Income and Expenditure Statement – 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.

Housing benefit subsidy grants received from government totalling £36.1 million (£37.8 million in 2017/18), together with associated expenditure on housing benefits of £36.6 million (£38.4 million in 2017/18), are included within Finance and Resources income and expenditure.

Financing and investment income includes losses on the value of central shopping centres held within investment properties of £10.9 million (£3.1 milion loss in 2017/18). Other investment properties had a net gain of £3.2 million on revaluation (£5.8 million gain in 2017/18).

Financing and investment expenditure includes interest payable on Public Works Loan Board (PWLB) borrowings of £7.5 million (£7.5 million in 2017/18).

The Council's share of non-domestic rates income totalling £41.2 million (£39.5 million in 2017/18) and the tariff of £35.8 million (£34.8 million in 2017/18) payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

There is a total charge for remeasurements of the Council's net defined benefit pension liability of £19.3 million (total net credit in 2017/18 of £5.4 million). This net figure reflects a number of aspects as detailed in note 35.

5 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 on 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.

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.

Financial year 2018/19

(£000s)	Usable reserves					
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable reserves
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	(6,187)	0	0	(10,666)	0	16,853
Net revaluation (losses)/gains on property, plant and equipment	(754)	(12,377)	0	0	0	13,131
Movements in the market value of investment properties	(7,856)	155	0	0	0	7,701
Amortisation of intangible assets	(107)	0	0	(5)	0	112
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(2,430)	0	0	0	0	2,430
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(28,036)	(4,620)	0	0	0	32,656
Minimum Revenue Provision	455	0	0	0	0	(455)
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	(10)	0	0	0	0	10
Capital expenditure charged against General Fund and HRA balances	4,587	727	0	0	0	(5,314)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,761	13,921	0	0	(21,682)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	16,607	(16,607)
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	27,032	7,874	(34,906)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(199)	199	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	27,136	0	0	(27,136)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,134)	0	1,134	0	0	0
Transfer to Capital Receipts Reserve on receipt of loan payment	0	0	(15)	0	0	15
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(8,109)	0	0	8,109

(£000s)	Usable reserves					
	General Fund balance	**Housing Revenue Account balance**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Unusable reserves**
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,601	0	(7,601)
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	12	0	0	0	0	(12)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	(10,268)	(2,061)	0	0	0	12,329
Employer's pension contributions and direct payments to pensioners payable in the year	5,621	1,569	0	0	0	(7,190)
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	1,322	0	0	0	0	(1,322)
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	1	0	0	0	0	(1)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	54	(54)	0	0	0	0
Adjustments primarily involving the Available for Sale Reserve:						
Transfer of Available for Sale reserve balance back to the General Fund upon IFRS 9 implementation	(221)	0	0	0	0	221
Total adjustments	**(10,158)**	**4,935**	**(14,561)**	**(3,070)**	**(5,075)**	**27,929**

Financial year 2017/18

(£000s)	Usable reserves					
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable reserves
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	(6,557)	(304)	0	(9,716)	0	16,577
Net revaluation (losses)/gains on property, plant and equipment	(2,633)	5,741	0	0	0	(3,108)
Net revaluation (losses)/gains on assets held for sale	(2,067)	(91)	0	0	0	2,158
Movements in the market value of investment properties	2,523	151	0	0	0	(2,674)
Amortisation of intangible assets	(72)	0	0	0	0	72
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,583)	0	0	0	0	1,583
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(12,346)	(9,244)	0	0	0	21,590
Minimum Revenue Provision	294	0	0	0	0	(294)
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	(14)	0	0	0	0	14
Capital expenditure charged against General Fund and HRA balances	5,868	4,519	0	0	0	(10,387)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,088	1,270	0	0	(7,358)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	6,174	(6,174)
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	4,355	12,653	(17,008)	0	0	0
Other capital receipts	0	26	(26)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(228)	228	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	7,662	0	0	(7,662)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(961)	0	961	0	0	0
Transfer to Capital Receipts Reserve on receipt of loan payment	0	0	(11)	0	0	11

(£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 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	9,267	0	0	0	0	(9,267)
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,111	0	(7,111)
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	(22)	0	0	0	0	22
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,892)	(1,764)	0	0	0	11,656
Employer's pension contributions and direct payments to pensioners payable in the year	5,263	1,386	0	0	0	(6,649)
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	1,055	0	0	0	0	(1,055)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(12)	12	0	0	0	0
Total adjustments	**(1,446)**	**14,127**	**(8,194)**	**(2,605)**	**(1,184)**	**(698)**

6 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 2018/19.

(£000s)	Balance at 1 April 2017	Transfer In	Transfer Out	Balance at 31 March 2018	Transfer In	Transfer Out	Balance at 31 March 2019
General Fund:							
Asset repair and renewal reserves	(3,615)	(1,473)	2,125	(2,963)	(1,550)	2,895	(1,618)
Insurance Fund	(1,073)	(54)	0	(1,127)	(34)	0	(1,161)
Technology Investment Fund	(126)	0	0	(126)	(1)	0	(127)
Development Plan Reserve	(144)	(442)	272	(314)	(415)	(210)	(939)
Revenue contributions to capital	(3)	0	0	(3)	0	0	(3)
Climate Change Fund	(137)	(250)	43	(344)	(251)	227	(368)
Business Rates Retention	(743)	0	743	0	0	0	0
Fixed Term Priority Projects	(151)	0	0	(151)	0	151	0
Sharing Prosperity	(576)	(300)	255	(621)	(200)	561	(260)
Invest for Income Fund	(7,500)	(500)	0	(8,000)	0	0	(8,000)
Greater Cambridge Partnership Fund	(4,557)	(2,385)	1,908	(5,034)	(2,238)	1,646	(5,626)
Office accommodation strategy	(2,582)	(1,534)	1,357	(2,759)	0	1,859	(900)
Contribution to A14 Fund	0	(718)	0	(718)	(782)	0	(1,500)
Other	(2,170)	(913)	415	(2,668)	(3,319)	1,441	(4,546)
Total	**(23,377)**	**(8,569)**	**7,118**	**(24,828)**	**(8,790)**	**8,570**	**(25,048)**
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(2,252)	(287)	119	(2,420)	(286)	210	(2,496)
Earmarked for debt redemption / reinvestment	(1,902)	(6,770)	0	(8,672)	(4,472)	0	(13,144)
Other	(87)	(6)	60	(33)	(8)	0	(41)
Total	**(4,241)**	**(7,063)**	**179**	**(11,125)**	**(4,766)**	**210**	**(15,681)**

7 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2018/19		2017/18	
	Income	Expenditure	Income	Expenditure
Payments to the government housing capital receipts pool	0	1,134	0	961
(Gains) / losses on the disposal of non-current assets	(2,312)	0	(4,516)	0
Other income	0	0	(27)	0
	(2,312)	**1,134**	**(4,543)**	**3,119**

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

(£000s)	2018/19		2017/18	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,494	0	7,494
Pensions interest expense	0	2,976	0	2,912
(Gains) and losses on trading accounts	(1,926)	1,734	(1,888)	1,645
Interest receivable and similar income	(1,854)	0	(1,496)	0
Income and expenditure in relation to investment properties and changes in their fair value	(2,743)	1,669	(12,616)	1,780
(Gains) and losses on financial instruments held at fair value through profit and loss	(185)	0	0	0
	(6,708)	**13,873**	**(16,000)**	**13,831**

9 Comprehensive Income and Expenditure Statement – Taxation and Non-Specific Grant Income

(£000s)	2018/19	2017/18
Council tax income	(8,234)	(7,831)
Net council share of business rates income	(5,370)	(4,655)
Non-ringfenced government grants	(8,371)	(8,904)
Capital grants and contributions	(21,682)	(7,359)
	(43,657)	**(28,749)**

The business rates income retained by the Council under the business rates retention scheme of £5,370,000 (2017/18, £4,655,000) comprises the Council's share of income of £41,213,000 (2017/18, £39,453,000) less a tariff payment due to central government of £35,843,000 (2017/18, £34,798,000).

10 Members' Allowances

The total of allowances and expenses paid to members during the financial year was £338,000 (£310,000 in 2017/18). Details of allowance payments to individual members are published annually on the Council's website at https://www.cambridge.gov.uk/councillors-duties-conduct-and-allowances.

11 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

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 30.

Other Public Bodies

The leader of the Council also serves as a member of the Cambridgeshire and Peterborough Combined Authority. The following transactions have occurred with the Combined Authority during the year:

(£000s)	2018/19	2017/18
Income recognised in year	(13,567)	(594)
Debtor balance at 31 March	2,686	596

Members and Officers

The members and senior officers of the Council have direct control over the Council's financial and operating policies. Council members and senior officers are required to make declarations of interest concerning third parties, both in the form of an annual statement and by disclosing interests at Council meetings.

For 2018/19, several members declared they had interests with local voluntary bodies and other organisations. In the majority of cases, transactions between the Council and these organisations were not material to either party, and the member or officer was not in a position to control or direct them. Details of these interests are recorded in the Council's Register of Interests which is open to public inspection, and published on the Council's website at https://www.cambridge.gov.uk/councillors-duties-conduct-and-allowances.

The following transactions and balances are deemed to be material to either party:

Related Party	Member / Officer	Income from Related Party (£000s)	Expenditure with Related Party (£000s)	Debtor balance at 31 March 2019 (£000s)	Creditor balance at 31 March 2019 (£000s)
Cambridge BID Ltd	Cllr Rosy Moore – Director of Cambridge BID Ltd	131	154	17	0
Wintercomfort for the Homeless	Cllr Rod Cantrill – Trustee of Wintercomfort for the Homeless	4	112	0	23
Arbury Community Association	Cllr Mike Todd-Jones – Trustee of Arbury Community Association	2	52	0	0
Cambridge Sustainable Food CIC	Cllr Katie Thornburrow – Director of Cambridge Sustainable Food CIC	1	28	0	0

In addition to the above, the Council collects levy payments from local businesses on behalf of Cambridge BID Ltd. During the year, the Council collected levy payments (net of refunds) totalling £972,000 (2017/18: £583,000), and paid £879,000 over to Cambridge BID (2017/18: £664,000). At 31 March 2019, the outstanding creditor balance due to Cambridge BID in respect of these levies was £114,000 (£21,000 at 31 March 2018).

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.

Council officers worked with the trust in 2018 as financial difficulties were identified. A report was presented to council in July 2018 and a provision of £500,000 was agreed to support operations. However, it became evident that the trust would not be able to overcome these difficulties and an executive decision was taken in December 2018 to terminate the contract and bring all operations back to the council in 2019.

The Council made a loan to the company for start-up costs of £125,000 which was 100% provided for in 2017/18. No interest is due on the repayment. The council paid £340,000 to the company partly for services in 2018/19 and partly by way of a grant for city events (£450,000 in 2017/18). At the year-end, short term creditors with Cambridge Live and its trading subsidiary were nil (£10,000 at 31 March 2018).

The Council has also recharged the company for its share of costs including utilities and has also paid for some services, but on the same basis as other customers of Cambridge Live. Income from Cambridge Live in 2018/19 was £223,000. At the year-end, short term debtors were £14,000 (£2,000 at 31 March 2018).

The role of the Council changed during the year; it has exercised significant influence over Cambridge Live and took direct control of operations from 1 October 2018. The results of Cambridge Live since that time have been consolidated into the Group Financial Statements.

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 13 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 23, start-up costs of £90,000 were paid by the Council on behalf of the company and a long term loan established. The budget report for 2019/20 approved in February 2019 included a change so that this loan is no longer due and a 100% provision has been included in these accounts accordingly.

The Council has paid grant and other subsidies of £85,000 to VCB in 2018/19 (£48,000 in 2017/18), and has recharged VCB for its share of costs, including utilities and rent for offices at the Guildhall which is determined on a commercial basis. Income from VCB in 2018/19 totalled £68,000. At 31 March 2019 short term debtors were £13,000 (£13,000 in 2017/18) and short term creditors were £12,000 (£0 in 2017/18).

Cambridge Investment Partnership LLP / CIP operating companies

The Council has a 50% stake in a limited liability partnership with Hill Investment Partnerships Limited. The partnership is primarily engaged in house building and

redeveloping land in the Cambridge area. This includes delivering new affordable and social dwellings for council housing financed from the Housing Revenue Account.
The structure of the partnership has been amended during the year to consist of 3 separate companies.

Cambridge Investment Partnership LLP, incorporated 30 November 2018, will provide management services to CIP operating companies as needed. This is a new company and replaces the organisation reported in the 2017/18 accounts. The financial statements for the year ended 31 March 2019 were a nil return.

Operating companies are being established for individual sites as they commence and details of the first two are given below.

CIP (Mill Road Development) LLP, incorporated on 22 December 2016. This was formerly the Cambridge Investment Partnership LLP reported in the 2017/18 accounts. This company reported a loss of £500,000 in the year ended 31 March 2019 (£413,000 loss in 2017/18).

CIP (Cromwell Road) LLP was incorporated on 10 January 2019. The financial statements for the year ended 31 March 2019 had no transactions going through the Statement of Comprehensive Income. The Council had an outstanding long term investment balance of £27,000,000 with the LLP at 31 March 2019, representing a loan note in consideration of development land transferred to the LLP in March 2019.

The Council recognised income of £199,000 from CIP (Mill Road Development) during 2018/19 in respect of management recharges (£232,000 in 2017/18).

The Council disposed of the former Mill Road depot site to CIP (Mill Road Development) in December 2017. The deferred sales proceeds due from CIP are reflected in a loan note (currently expected to be repaid in 2021) as disclosed in note 23. Notional interest on the loan is required to be reflected in interest income – this was £184,000 for 2018/19 (£45,000 in 2017/18).

CIP (Mill Road Development) is currently managing the main site and various design, build and sale contracts on behalf of the Council's social housing capital programme. The cost of work carried out by the partnership in 2018/19 was £8,571,000 (£707,000 in 2017/18) with £4,561,000 (nil in 2017/18) of costs incurred on Mill Road and £4,010,000 (£707,000 in 2017/18) for other sites including a 56 dwelling development in Anstey Way.

These other contracts will be transferred to Cambridge Investment Partnership LLP to ensure individual contract performance can be reported in a more transparent way.

In group accounting terms, these companies form a joint venture and have been consolidated accordingly into the Group Financial Statements.

Cambridge City Housing Company Limited

The Council owns 100% of the share capital of Cambridge City Housing Company Limited (CCHC) which began trading in May 2016. The company provides homes for intermediate market rent in Cambridge.

As detailed in note 22 the Council made a loan to CCHC of £7,500,000 in 2016/17. Interest of £152,000 (£152,000 in 2017/18) on the loan is included in financing and investment income.

The Council recognised income from management fees, repairs and service charges totalling £50,000 in 2018/19 (£34,000 in 2017/18). Total debtors at 31 March 2019 were £16,000 (£15,000 at 31 March 2018).
The company made a profit of £189,000 for 2018/19 (£351,000 in 2017/18). Revaluation gains of £149,000 (£292,000 in 2017/18) are included in these results.

The company has been consolidated into the Group Financial Statements.

Storey's Field Community Trust

Storey's Field Community Trust is a company limited by guarantee established by the University of Cambridge and Cambridge City Council to jointly manage and operate the new community centre in North West Cambridge. The University and the Council each appoint two Trustees.

The community centre opened towards the end of 2017/18 and discussions on leasing the building are in progress.

The Council incurred and recharged staff management costs of £131,000 to the Trust in relation to 2018/19 (£68,000 in 2017/18). There is a debtor balance of £39,000 at 31 March 2019 (£21,000 at 31 March 2018).

In group accounting terms, Storey's Field Community Trust is a joint venture, but the Council has not included the Trust's results in the Group Financial Statements on the grounds of materiality. The Trust has a year-end of 31 July, and in the year to 31 July 2019 recognised a net deficit of £191,000 (£215,000 in the year ended 31 July 2018). As at 31 July 2019, the Trust had net assets of £829,000 (£785,000 as at 31 July 2018).

Shared services 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 3C Shared Services. In addition, the Council shares a waste service with South Cambridgeshire District Council and commenced a shared planning service with that council on 1 April 2018. 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 in the United Kingdom.

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

12 Employee Remuneration

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

	2018/19	2017/18
£50,000 to £54,999	9	5
£55,000 to £59,999	4	2
£60,000 to £64,999	0	1
£65,000 to £69,999	4	3
£70,000 to £74,999	8	7
£85,000 to £89,999	0	1
£90,000 to £94,999	2	0
£120,000 to £124,999	0	1
£125,000 to £129,999	1	0
Total	**28**	**20**

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 2018/19

(£) Position / Name	Note	Salary	Honorarium	Redundancy	Pension Contribution	Total
Chief Executive (A Jackson)	1	127,464	0	0	22,608	150,072
Strategic Director (S Hemingway)		90,642	0	0	15,772	106,414
Strategic Director (F Bryant)		90,642	0	0	15,772	106,414
Head of Corporate Strategy (A Limb)		74,571	0	0	12,975	87,546
Head of Finance (Section 151 Officer) (C Ryba)	2	74,571	0	0	12,975	87,546

Notes:

1. The Chief Executive received election payments of £2,790 in addition to the above.
2. The Head of Finance is shared with South Cambridgeshire District Council (SCDC), with a charge of £38,670 in 2018/19.
3 The Council shares a Director of Economic Development and Planning employed by SCDC. The Council's share of costs for 2018/19 remained unchanged at £67,756.

Financial year 2017/18

(£000s) Position / Name	Note	Salary	Honorarium	Redundancy	Pension Contribution	Total
Chief Executive (A Jackson)	1	124,965	0	0	21,744	146,709
Strategic Director (S Hemingway)		85,488	0	0	14,875	100,363
Strategic Director (F Bryant)	2	62,827	0	0	10,932	73,759
Head of Corporate Strategy (A Limb)		73,109	0	0	12,721	85,830
Head of Finance (Section 151 Officer) (C Ryba)	3	73,109	0	0	12,721	85,830
Strategic Advisor (L Bisset)	4	17,673	0	0	3,075	20,748

Notes:

1. The Chief Executive received election payments of £8,733 in addition to the above.
2. The Strategic Director commenced employment with the Council on 17 July 2017.
3. The Head of Finance is shared with South Cambridgeshire District Council (SCDC), with a charge of £37,542 for 2017/18.
4. The post of Strategic Advisor (2 days per week) left the Council on 6 September 2017.
5. The Council shares a Director of Economic Development and Planning employed by SCDC. The Council's share of costs for 2017/18 was £67,756.

The Council is required to recognise the costs of redundancy in the accounts in line with accounting standards. 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)	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000	2	6	0	0	2	6	14	36
£20,001 - £40,000	3	1	0	0	3	1	107	39
Total	**5**	**7**	**0**	**0**	**5**	**7**	**121**	**75**

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.

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.

13 External Audit Costs

(£000s)	2018/19	2017/18 (Restated)
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	40	52
Additional fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	38	5
Fees payable to Ernst and Young LLP for the certification of grant claims and returns for the year	21	19
	99	**76**

14 Property, Plant and Equipment

Financial year 2018/19

(£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 2018	**628,303**	**144,647**	**22,654**	**5,156**	**1,344**	**0**	**15,430**	**817,534**
Additions	6,194	30,212	2,725	11	0	0	14,881	54,023
Revaluation increases / (decreases) recognised in the revaluation reserve	(15,885)	(157)	0	0	0	0	0	(16,042)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(13,164)	33	0	0	0	0	0	(13,131)
De-recognition – disposals	(3,098)	0	(688)	0	0	0	0	(3,786)
De-recognition – other	(1,543)	(451)	0	0	0	0	(167)	(2,161)
Assets reclassified (to) / from investment properties	0	(2,400)	0	0	0	0	0	(2,400)
Assets reclassified (to) / from assets held for sale	0	(27,000)	0	0	0	0	0	(27,000)
Assets reclassified (to) / from other categories of property, plant and equipment	11,778	3,276	1,332	631	(11)	0	(17,006)	0
At 31 March 2019	**612,585**	**148,160**	**26,023**	**5,798**	**1,333**	**0**	**13,138**	**807,037**
Accumulated depreciation and impairment								
At 1 April 2018	**0**	**(6,797)**	**(13,697)**	**(810)**	**0**	**0**	**(587)**	**(21,891)**
Depreciation charge	(10,434)	(4,522)	(1,762)	(135)	0	0	0	(16,853)
Depreciation written out to the revaluation reserve	10,933	1,949	0	0	0	0	0	12,882
De-recognition – disposals	52	0	688	0	0	0	0	740
De-recognition – other	36	12	0	0	0	0	0	48
Assets reclassified to / (from) other categories of property, plant and equipment	(587)	0	0	0	0	0	587	0
At 31 March 2019	**0**	**(9,358)**	**(14,771)**	**(945)**	**0**	**0**	**0**	**(25,074)**
Net book value								
At 31 March 2019	**612,585**	**138,802**	**11,252**	**4,853**	**1,333**	**0**	**13,138**	**781,963**
At 31 March 2018	**628,303**	**137,850**	**8,957**	**4,346**	**1,344**	**0**	**14,843**	**795,643**

Financial year 2017/18

(£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 2017	**579,588**	**141,374**	**20,742**	**4,523**	**1,195**	**9,261**	**30,554**	**787,237**
Opening adjustment	0	192	0	0	0	0	0	192
Additions	6,403	1,189	2,193	262	18	0	17,831	27,896
Revaluation increases / (decreases) recognised in the revaluation reserve	19,184	3,110	0	0	0	0	(2,045)	20,249
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	6,605	(3,495)	0	0	0	0	0	3,110
De-recognition – disposals	(4,643)	0	0	0	0	0	0	(4,643)
De-recognition – other	(177)	(1,165)	6	0	0	0	(4,098)	(5,434)
Assets reclassified (to) / from investment properties	0	(463)	0	0	0	(1,225)	0	(1,688)
Assets reclassified (to) / from assets held for sale	(68)	(3,259)	(481)	0	0	0	(5,383)	(9,191)
Assets reclassified (to) / from intangibles	0	0	0	0	0	0	(192)	(192)
Assets reclassified (to) / from other categories of property, plant and equipment	21,411	7,164	196	371	131	(8,036)	(21,237)	0
Other movements	0	0	(2)	0	0	0	0	(2)
At 31 March 2018	**628,303**	**144,647**	**22,654**	**5,156**	**1,344**	**0**	**15,430**	**817,534**
Accumulated depreciation and impairment								
At 1 April 2017	**0**	**(3,009)**	**(12,519)**	**(675)**	**0**	**0**	**0**	**(16,203)**
Opening adjustment	0	(192)	0	0	0	0	0	(192)
Depreciation charge	(9,395)	(4,471)	(1,649)	(135)	0	(85)	0	(15,735)
Depreciation written out to the revaluation reserve	9,290	1,521	0	0	0	0	116	10,927
De-recognition – disposals	73	0	0	0	0	0	0	73
De-recognition – other	0	31	0	0	0	0	0	31
Impairments recognised in the surplus / deficit on the provision of services	0	(540)	0	0	0	0	(304)	(844)
Impairments recognised in the revaluation reserve	0	(162)	0	0	0	0	(283)	(445)
Assets reclassified to / (from) Investment Properties	0	25	0	0	0	0	0	25
Assets reclassified to / (from) assets held for sale	1	0	471	0	0	0	0	472
Assets reclassified to / (from) other categories of property, plant and equipment	31	0	0	0	0	85	(116)	0
At 31 March 2018	**0**	**(6,797)**	**(13,697)**	**(810)**	**0**	**0**	**(587)**	**(21,891)**
Net book value								
At 31 March 2018	**628,303**	**137,850**	**8,957**	**4,346**	**1,344**	**0**	**14,843**	**795,643**
At 31 March 2017	**579,588**	**138,365**	**8,223**	**3,848**	**1,195**	**9,261**	**30,554**	**771,034**

15 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 have been performed in accordance with the RICS Valuation – Professional Standards Global January 2017 including the International Valuation Standards and the RICS Valuation – Professional Standards UK (January 2014, as amended) and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The valuations were conducted by external valuers. The RICS registered valuers were:

G Harbord MA MRICS IRRV (Hons) (Wilks Head and Eve)
M Aldis BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)
P Smith BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)
Amanda Briggs BA (Hons) MRICS (Bidwells LLP)
Anna Groom MA MRICS (Bidwells LLP)
Bella Darby MRICS (Bidwells LLP)
Stuart Paskins BSc MRICS (Bidwells LLP)

Investment property is valued on a fair value basis and operational property is valued at current value derived on the basis of existing use value except for specialised operational assets which are assessed on the basis of depreciated replacement cost. The opinion of value was primarily derived using comparable recent market transactions on arm's length terms. Further detail on the basis for valuation is set out in the Statement of Accounting Policies on page 90.

Council dwellings are revalued by Wilks Head and Eve as at 31 March each year. The basis of valuation is current value, measured at existing use value for social housing (EUV-SH). Valuations are undertaken with reference to 'Stock Valuation for Resource Accounting Guidance 2016' published by the Ministry of Housing, Communities and Local Government (MHCLG). Valuations are also carried out in accordance with the RICS Valuation – Professional Standards ('Red Book'), except where they are varied to reflect the current policy requirements of MHCLG.

Valuations are undertaken using the beacon method. Under this method, the Council divides its housing stock into a number of 'archetypes'. Properties within each archetype have similar characteristics (e.g. location, property type, number of bedrooms), and as such are deemed to have the same current value. Within each archetype, one representative property (or 'beacon') is selected for valuation. Beacon properties are inspected by the valuers on a rolling 5-yearly cycle, with a desktop revaluation undertaken on all non-inspected beacons in each intervening year.

The valuation of other land and buildings is undertaken by Bidwells LLP. The following statement should be noted with regard to these valuations:

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; 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 2018 and has acted as valuers 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 2019. Bidwells has a policy of rotating personnel undertaking this valuation so that no single member of staff 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.

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	Total
Valued at fair value as at:			
31 March 2019	612,585	92,346	704,931
31 March 2018	0	1,116	1,116
31 March 2017	0	2,290	2,290
31 March 2016	0	39,092	39,092
31 March 2015	0	3,958	3,958
Total valuation	**612,585**	**138,802**	**751,387**

Details on investment property valuation can be found in note 20.

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

16 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 43 years and houses 44 years.

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

17 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)	2018/19	2017/18
Opening Capital Financing Requirement	**240,594**	**225,018**
Capital expenditure		
Property, plant and equipment	54,023	27,896
Investment properties	1,232	17,717
Intangible assets	130	0
Capital expenditure charged to the Comprehensive Income and Expenditure Statement		
Revenue Expenditure Funded from Capital and de-minimis capital expenditure	2,430	1,583
Loans advanced		
Cambridge Investment Partnership	31,850	0
Local investment bond	2,200	0
Private sector housing improvement loans	40	9
Sources of finance		
Capital receipts	(27,136)	(7,662)
Government grants and other contributions	(16,607)	(6,175)
Minimum Revenue Provision	(455)	(294)
Revenue and reserves	(12,915)	(17,498)
Closing Capital Financing Requirement	**275,386**	**240,594**

18 Capital Commitments

(£000s)	31 March 2019	31 March 2018
Property, Plant and Equipment		
Vehicle Asset Replacement Programme	149	173
HRA new build properties	22,564	3,123
Housing Capital Programme	1,807	284
Silver Street public toilet refurbishment	540	0
Financial Management System	0	50
Car parking control equipment at multi-storey car parks	0	561
Grand Arcade and Queen Anne Terrace car parks sprinkler system	0	272
Electric vehicle charge points	0	180
Grant for refurbishment of Memorial Hall and Church Hall in Cherry Hinton	0	150
Office Accommodation Strategy (OAS) projects	0	1,809
Footbridge across Hobson’s Brook at Accordia Development	50	0
Revenue Expenditure Funded from Capital Under Statute		
Development land at Clay Farm	378	560
Community Development Grants Programme	153	265
Cambridge City 20 mph Zones Project	0	80
	25,641	**7,507**

19 Investment Properties

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

(£000s)	2018/19	2017/18
Rental income from investment property	(10,444)	(9,941)
Direct operating expenses arising from investment property	460	523
Net gain	**(9,984)**	**(9,418)**

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 (measured at Level 3 in the Fair Value Hierarchy) over the year.

(£000s)	2018/19	2017/18
Balance at start of the year	**175,281**	**153,706**
Additions:		
Subsequent expenditure	2	82
Acquisitions	1,230	17,636
Unrealised gains/(losses) recognised in the financing and investment income line of the surplus / deficit on the provision of services from fair value adjustments	(7,701)	2,674
Disposals	(430)	(480)
Transfers:		
(To) / from property, plant and equipment	2,400	1,663
Balance at the end of the year	**170,782**	**175,281**
Acquisitions included above measured at historic cost	0	(11)
Fair value at year-end	**170,782**	**175,270**

20 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 IFRS 13. 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 90.

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 15.

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 2019 (£'000)	Predominant valuation technique	Key unobservable inputs	Range
Central Cambridge shopping centres	27,090	Investment	NIY Yield	5.00% - 5.25%
Other retail	37,042	Investment	Market Rent (psf) Market Rent (psf ZA) EY Yield	£11 - £41 £18 - £250 5.30% - 14.90%
Offices	13,095	Investment	Market Rent (psf) EY Yield	£14 - £28 6.00% - 9.00%
Industrial	22,570	Investment	Market Rent (psf) EY Yield	£5.50 - £17 5.25% - 9.00%
Land	39,654	Investment / Comparable	Market Rent (per acre) NIY Yield EY Yield £/acre	£200 - £55,750 2.99% - 6.67% 4.60% - 10.00% £3,000 - £1,200,000
Other	31,331	Investment	Yield	3.50% - 14.00%
Total	**170,782**			

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 re-let 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.

21 Leases

Council as Lessee

Finance Leases

The carrying value of investment properties held under finance leases at 31 March 2019 was nil (value as at 31 March 2018 was £2,485,000) as the previous finance lease has been surrendered and freehold retained without any secondary subsequent leases.

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 £36,235,000 as at 31 March 2019 (£37,400,000 at 31 March 2018).

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 2019	31 March 2018
Not later than one year	50	75
Later than one year and not later than five years	50	100
	100	**175**

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

(£000s)	2018/19	2017/18
Minimum lease payments	75	254

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 due under non-cancellable leases are:

(£000s)	31 March 2019	31 March 2018
Not later than one year	6,113	5,832
Later than one year and not later than five years	18,798	18,529
Later than five years	105,151	105,553
	130,062	**129,914**

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2018/2019, £2,300,000 of contingent rents were receivable by the Council (2017/18: £2,265,000).

22 Short Term and Long Term Investments

(£000s)	2018/19		2017/18	
	Long term	Short term	Long term	Short term
Investments in Icelandic banks and their UK subsidiaries	0	0	0	41
Loans to subsidiaries	7,500	0	7,500	0
Loans to joint ventures	31,850	0	0	0
Other investments	17,712	79,317	25,275	73,135
	57,062	**79,317**	**32,775**	**73,176**

23 Long Term Debtors

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

(£000s)	31 March 2019	31 March 2018
Mortgages	1	1
Lease premiums	181	188
Private sector housing improvement loans	821	794
Sale of land at Kings Hedges	30	30
Deferred property sale proceeds	2,705	2,705
Visit Cambridge and Beyond	0	90
Loan to Cambridge Investment Partnership LLP - deferred sale proceeds	0	4,667
Pension deficit contribution prepayment	0	3,030
Mortgage Repossessions Loans	7	7
	3,745	**11,512**

24 Assets Held for Sale

(£000s)	Current	
	2018/19	2017/18
Balance at 1 April	**67**	**4,643**
Assets newly classified as held for sale: Property, plant and equipment	27,000	8,718
Assets sold	(27,067)	(11,137)
Impairment losses	0	(2,157)
Balance at 31 March	**0**	**67**

25 Short Term Debtors

(£000s)	31 March 2019	31 March 2018
Central government bodies	2,559	3,542
Other local authorities	6,434	5,048
Deferred capital receipts	1,158	4,645
Council tax payers (City share)	197	268
National non-domestic rate payers (City share)	356	771
Housing tenants and leaseholders	434	591
Trade and other	9,436	2,967
	20,574	**17,832**

26 Cash and Cash Equivalents

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

(£000s)	31 March 2019	31 March 2018
Cash held by the Council	10	9
Bank current accounts	(526)	(690)
Bank deposit accounts	2,177	7,429
Overnight Money Market Funds	6,000	1,500
	7,661	**8,248**

27 Short Term Creditors

(£000s)	31 March 2019	31 March 2018
Central government bodies	(16,106)	(8,824)
Other local authorities	(7,138)	(6,268)
Other entities and individuals	(5,893)	(7,781)
	(29,137)	**(22,873)**

28 Receipts in Advance

(£000s)	31 March 2019	31 March 2018
Cambridge City Council share of council tax receipts in advance	(360)	(312)
Cambridge City Council share of non-domestic rates receipts in advance	(858)	(994)
Capital grants receipts in advance	(616)	0
Housing tenants and leaseholders	(657)	(702)
Other	(1,694)	(2,264)
	(4,185)	**(4,272)**

29 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 respect of 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 2019 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.

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
Balance at 1 April 2018	**(354)**	**(4,104)**	**(9)**	**(4,467)**
Additional provisions made in 2018/19	(178)	(102)	0	(280)
Amounts used in 2018/19	82	157	0	239
Unused amounts reversed in 2018/19	63	0	0	63
Balance as at 31 March 2019	**(387)**	**(4,049)**	**(9)**	**(4,445)**

30 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

(£000s)	2018/19	2017/18
Credited to taxation and non-specific grant income		
Revenue Support Grant	(571)	(1,104)
New Homes Bonus	(5,596)	(5,972)
New burdens and transitional grants	(76)	(99)
Syrian Resettlement Grant	(534)	(442)
Small Business Rate Relief Grant	(1,002)	(873)
Other business rate relief grants	(466)	(301)
Welfare reform grants	(109)	(112)
Local Authority EU Exit Grant	(17)	0
Capital grants and contributions	(21,682)	(7,359)
	(30,053)	**(16,262)**
Credited to services		
Discretionary Housing Payments	(224)	(244)
Rent Allowance and Rent Rebates Administration Subsidy	(346)	(369)
Rent Allowance Subsidy	(18,768)	(19,967)
Rent Rebates Subsidy	(16,963)	(17,459)
Non HRA Rent Rebates Subsidy	(386)	(413)
Other housing benefit grants	(126)	(89)
Flexible Homelessness Support	(477)	(283)
Preventing Homelessness	(317)	(191)
Other grants	(346)	0
	(37,953)	**(39,015)**

From time to time, the Council receives developer contributions that cannot yet 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 were as follows:

(£000s)	31 March 2019	31 March 2018
Capital Grants Receipts in Advance		
Due within 12 months	(616)	0
Due in more than 12 months	0	(6,208)
Total	**(616)**	**(6,208)**

31 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6.

32 Unusable Reserves

(£000s)	31 March 2019	31 March 2018
Deferred Capital Receipts Reserve	(3,893)	(12,002)
Revaluation Reserve	(163,875)	(171,845)
Capital Adjustment Account	(556,990)	(567,975)
Financial Instruments Adjustment Account	75	87
Pensions Reserve	138,035	113,585
Collection Fund Adjustment Account	(1,609)	(287)
Available for Sale Reserve	0	(221)
Accumulated Absences Account	454	455
Total unusable reserves	**(587,803)**	**(638,203)**

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)	2018/19	2017/18
Balance at 1 April	**(12,002)**	**(2,735)**
Deferred sale proceeds on disposal of non-current assets	0	(9,267)
Transfer to the Capital Receipts Reserve upon receipt of cash	8,109	0
Balance at 31 March	**(3,893)**	**(12,002)**

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)	2018/19	2017/18
Balance at 1 April	**(171,845)**	**(148,645)**
Net (gains) / losses on revaluations during the year	3,160	(30,981)
Impairment charged to the revaluation reserve	0	162
Amounts written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	3,925	3,315
Accumulated gains on assets sold or scrapped	885	4,304
Balance at 31 March	**(163,875)**	**(171,845)**

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, amortisation and impairment losses 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 5 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

(£000s)	2018/19	2017/18
Balance at 1 April	**(567,975)**	**(564,950)**
Charges for depreciation and impairment of non-current assets	16,858	15,733
Amortisation of intangible assets	107	72
Revaluation losses/(gains) on property, plant and equipment	13,131	(3,108)
Revaluation losses on assets held for sale	0	2,158
Impairments on property, plant and equipment	0	844
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	7,701	(2,674)
Revenue Expenditure Funded from Capital Under Statute and de minimis capital spend	2,430	1,583
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	32,656	21,590
Repayment of private sector housing loans	25	25
Adjusting amounts written out of the Revaluation Reserve	(4,810)	(7,619)
Use of the Capital Receipts Reserve to finance new capital expenditure	(27,136)	(7,662)
Use of the Major Repairs Reserve to finance new capital expenditure	(7,601)	(7,111)
Application of grants and contributions to capital financing	(16,607)	(6,175)
Minimum revenue provision	(455)	(294)
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(5,314)	(10,387)
Balance at 31 March	**(556,990)**	**(567,975)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pension funds or eventually pays any pensions for which 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 35.

(£000s)	2018/19	2017/18
Balance at 1 April	**113,585**	**114,032**
Remeasurements of the net defined benefit liability	19,311	(5,454)
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	12,329	11,656
Employer’s pension contributions and direct payments to pensioners payable in the year	(7,190)	(6,649)
Balance at 31 March	**138,035**	**113,585**

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)	2018/19	2017/18
Balance at 1 April	**(287)**	**768**
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	(7)	(23)
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	(1,315)	(1,032)
Balance at 31 March	**(1,609)**	**(287)**

33 Financial Instruments

Categories of Financial Instrument

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

(£000s)	31 March 2019		31 March 2018	
	Long term	Short term	Long term	Short term
Financial Assets				
Investments				
Fair value through profit and loss	15,462	9,993	15,225	9,994
Amortised cost	41,600	69,324	17,550	63,182
Debtors				
Fair value through profit and loss	3,526	0	8,166	0
Amortised cost	38	14,165	316	10,128
Cash and cash equivalents				
Amortised cost	0	7,661	0	8,248
Total	**60,626**	**101,143**	**41,257**	**91,552**
Financial Liabilities (amortised cost)				
Borrowing	(213,572)	(82)	(213,572)	(82)
Creditors	0	(11,402)	(6,208)	(13,291)
Total	**(213,572)**	**(11,484)**	**(219,780)**	**(13,373)**

The council has adopted new classifications for financial assets with effect from 1 April 2018, in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The table below shows how the closing balances for 2017/18 translate into the new asset classifications.

Previous Classification (£000s)	Carrying amount brought forward at 1 April 2018	New Classification at 1 April 2018	
		Amortised Cost	Fair Value through Profit and Loss
Investments			
Loans and receivables	80,682	80,682	0
Available for sale	25,219	0	25,219
Unquoted equity investment at cost	50	50	0
Debtors			
Loans and receivables	11,238	10,444	794
Available for sale	7,372	0	7,372
Total	**124,561**	**91,176**	**33,385**

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 at fair value through profit and loss. 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.

(£000s)	2018/19	2017/18
Balance sheet carrying value as at 1 April	**794**	**832**
Nominal value of new loans recognised in the year	40	9
Interest – increase in discounted amount	19	13
Loans repaid	(25)	(25)
Fair value adjustment	(7)	(35)
Balance sheet carrying value as at 31 March	**821**	**794**
Loan payments outstanding (nominal value) at 31 March	**895**	**880**

Income, Expense, Gains and Losses

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

(£000s)	2018/19		2017/18	
	Surplus or deficit on the provision of services	Other comprehensive income and expenditure	Surplus or deficit on the provision of services	Other comprehensive income and expenditure
Net (gains) / losses				
Financial assets classified as:				
Fair value through profit and loss	(185)	0		
Amortised cost	381	0		
Loans and receivables			576	0
Available for sale			0	(672)
Interest income				
Financial assets classified as:				
Fair value through profit and loss	(744)	0		
Amortised cost	(1,110)	0		
Loans and receivables			(695)	0
Available for sale			(801)	0
Interest expense				
Financial liabilities classified as:				
Amortised cost	7,494	0	7,494	0
Net (surplus) / deficit for the year	**5,836**	**0**	**6,574**	**(672)**

Financial assets measured at fair value in the balance sheet

The following financial assets are measured at fair value on a recurring basis:

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2019 (£000s)	31 March 2018 (£000s)
Units in CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	15,462	15,225
Enhanced Cash Funds	Level 1	Unadjusted quoted prices in active markets for identical units	9,993	9,994
Proceeds on disposal of assets	Level 2	Present value of sale proceeds	0	4,667
Contingent proceeds on disposal of assets	Level 3	Present value of likely estimated sale proceeds discounted at appropriate rate where material	2,705	2,705
Private sector housing loans	Level 3	Present value of likely future cash flows discounted at appropriate rate where material	821	794
			28,981	**33,385**

The Council has disposed of a number of assets where the consideration cannot be known with certainty at the current balance sheet date as the final amount is contingent on a number of other events. Where possible the Council has estimated the fair value of these proceeds on a likely average basis. In the case of disposal of land in North East Cambridge the potential proceeds are so uncertain both in timing and amount and no value has currently been recognised in the accounts.

Equity shares are required to be valued at fair value if material.

The Council has a shareholding in Cambridge City Housing Company (representing 100% of the company's capital). The shares are carried at cost of £1 and have not been valued as fair value cannot be measured reliably. The Council has no current intention to dispose of the shareholding.

The Council owns 50% of the equity of Cambridge Investment Partnership LLP. This equity is carried at cost and has not been valued as fair value cannot be measured reliably. The Council has no intention to dispose of its interest.

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 of 3% at 31 March 2019 (1.77% at 31 March 2018) has been used to estimate the fair value of the group loans to Cambridge City Housing Company and Cambridge Investment Partnership.
- An average interest rate at 31 March 2019 of 2.09% (Range 2.37% to 2.57% in 2017/18) has been used to estimate the fair value of 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 generally 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.

The fair values are assessed as follows:

(£000s)	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Current liabilities	(11,402)	(11,402)	(13,291)	(13,291)
Long term liabilities	0	0	(6,208)	(6,208)
Short term borrowing	(82)	(82)	(82)	(82)
Long term borrowing	(213,572)	(264,697)	(213,572)	(258,268)

(£000s)	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortised cost				
Current debtors	14,165	14,165	10,128	10,128
Long term debtors	38	38	316	316
Current investments	69,324	69,324	63,182	63,172
Long term investments	41,600	41,600	17,550	17,553
Cash and cash equivalents	7,661	7,661	8,248	8,248

The fair value of the long term PWLB loans measures the 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 measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing 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. This 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 premium and the Council would have to pay an early redemption rate. The exit price for PWLB loans as at 31 March 2019 was estimated at £317,064,000 (31 March 2018: £310,679,000).

34 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 2018/19 the Council made amendments to its investment strategy with changes in counterparty limits. A new facility was also approved with a £5 million limit on secured bonds with local businesses subject to due diligence and annual reviews.

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.

The table below summarises the treasury management limits in place as at 31 March 2019.

Counterparty	Limit
Government Debt Management Account Deposit Facility (DMADF)	Unlimited
UK Government Gilts, Treasury Bills and supranational bonds	£15m
Barclays Bank plc	£35m
Single named institution (nationalised banks, local authorities, Nationwide Building Society and UK domiciled banks excluding Santander)	£20m
UK banking group limit	£30m
Long term deposits (group limits):	
♦ Local authorities (up to 5 years)	£35m in total
♦ CCLA Local Authorities Property Fund (minimum 5 years)	£15m
Certificates of Deposit with UK banks (included within single counterparties limit)	£15m per counterparty
Certificates of Deposit with UK building societies and named foreign banks (included within single counterparties limit)	£2m per counterparty
Enhanced Money Market Funds (not below AAf)	£5m per fund
Money Market Funds (AAAf)	£15m per fund
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/V1)	£10m per fund
UK subsidiary of foreign bank (Santander UK)	£5m
Named foreign banks (Svenksa Handlesbanken)	£5m
Building society (dependent on asset base and investment type)	£2m to £20m
Secured local bond in local businesses	£5m in total

The Council uses the 'creditworthiness service' provided by Link Asset Services. This service has been progressively enhanced and uses a sophisticated modelling approach using credit ratings from the following rating agencies – Fitch, Moody's 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 Swap (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 2019 and that any residual risk cannot be quantified.

The following shows the original principal sums of external 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	Over 3 years	
31 March 2019						
United Kingdom						
Banks	12,000	15,000	9,000	0	0	36,000
Building societies	0	0	0	0	0	0
Local authorities	8,000	5,000	20,000	0	0	33,000
Other institutions	0	0	0	0	2,200	2,200
Total	**20,000**	**20,000**	**29,000**	**0**	**2,200**	**71,200**

(£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 2018					
United Kingdom					
Banks	26,000	7,000	0	0	33,000
Building societies	2,000	0	0	0	2,000
Local authorities	8,000	10,000	10,000	10,000	38,000
Total	**36,000**	**17,000**	**10,000**	**10,000**	**73,000**

In addition to the above, the Council has investments in financial assets held at fair value through profit and loss, as detailed in note 33, which do not have a defined maturity date.

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 2019		31 March 2018	
	Gross debt	Impairment allowance	Gross debt	Impairment allowance
Long term debtors	3,779	215	8,607	125
Current and former tenants	1,688	1,406	1,662	1,393
Other debtors	14,528	645	10,382	523
	19,995	**2,266**	**20,651**	**2,041**

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

The movement in the short term debtors' impairment allowance during the year can be summarised as follows:

(£000s)	31 March 2019	31 March 2018
Balance at 1 April	**1,916**	**1,673**
Increase in allowance for impairment	381	416
Balances written off during the year	(246)	(173)
Balance at 31 March	**2,051**	**1,916**

At 31 March 2019, of the total debtor and deferred debtor balances of £20.0 million (£20.7 million at 31 March 2018), the past due amount was £2.7 million (£2.4 million at 31 March 2018) and can be analysed by age as follows:

(£000s)	31 March 2019	31 March 2018
Customer Debts		
Less than three months	726	540
Three to six months	202	176
Six months to one year	226	295
More than one year	1,520	1,434
Balance at 31 March	**2,674**	**2,445**

Debts are not generally specifically impaired, so the short term debtors impairment allowance is based on estimated expected loss and past recoverability and can be analysed as follows:

(£000s)	31 March 2019	31 March 2018
Impairment allowance by age of debt		
Less than three months	299	200
Three to six months	114	93
Six months to one year	144	192
More than one year	1,494	1,431
Balance at 31 March	**2,051**	**1,916**

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.

The maturity analysis of the loans is as follows:

(£000s)	31 March 2019	31 March 2018 Restated
Between 15 and 20 years	21,357	10,679
Between 20 and 25 years	53,393	53,393
Between 25 and 30 years	53,393	53,393
Between 30 and 35 years	53,393	53,393
Between 35 and 40 years	32,036	42,714
	213,572	**213,572**

Accrued interest due on the PWLB loans to 31 March 2019 was £82,000 (£82,000 in 2017/18).

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 Comprehensive Income and Expenditure Statement 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 2018/19, 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 £263,000 (£264,000 in 2017/18).

Price risk

The Council does not generally invest in equity shares in individual companies. However, it has investments in Cambridge City Housing Company and Cambridge Investment Partnership which are held at cost as detailed in note 33.

The Council has £15 million invested in the Local Authorities' Property Fund. This investment is classified as 'fair value through profit and loss', meaning that all movements in price will impact on gains and losses recognised in the surplus or deficit on the provision of services.

A gain of £237,000 in respect of the Local Authorities' Property Fund has been recognised in the surplus or deficit on the provision of services in 2018/2019 (2017/18: £690,000 gain).

This reflects general movements in the value of the fund over 2018/2019. A further movement in the bid price of 5% (positive or negative) would have resulted in a £773,000 gain or loss being recognised in 2018/2019 (2017/18: £761,000).

The Council intends to hold the above investments over the long term.

The Council also holds a number of Enhanced Cash Funds, shown in current investments, which are ‘fair value through profit and loss’ assets and a loss of £4,000 has been recognised in 2018/19 in respect of these assets (2017/18: £18,000 loss).

Foreign exchange risk

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

35 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 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 2018/19 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 (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

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 table below shows the transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year.

(£000s)	Local Government Pension Scheme	
	2018/19	2017/18
Comprehensive Income and Expenditure Statement		
Cost of services:		
Current service cost	8,474	8,827
Past service cost (including curtailments)	707	(83)
Effect of business combinations	172	0
Financing and investment income and expenditure:		
Net interest cost	2,976	2,912
Total post-employment benefit charged to the surplus or deficit on the provision of services	**12,329**	**11,656**
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)	(8,560)	839
Changes in financial assumptions	27,912	(6,365)
Other experience changes	(41)	72
Total post-employment benefit charged to other comprehensive income and expenditure	**19,311**	**(5,454)**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**31,640**	**6,202**
Movement in Reserves Statement		
Charges made to the surplus or deficit on the provision of services	12,329	11,656
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(5,139)	(5,007)
Actual charges to the General Fund and Housing Revenue Account – Employers' contributions payable to the scheme	**7,190**	**6,649**

Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2018/19	2017/18
Present value of the defined benefit obligation	(367,285)	(327,231)
Fair value of plan assets	229,250	213,646
Net liability arising from defined benefit obligation	**(138,035)**	**(113,585)**

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 £138.0 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)	2018/19	2017/18
Opening balance at 1 April	**(327,231)**	**(322,670)**
Current service cost	(8,474)	(8,827)
Past service cost	(707)	83
Effect of business combinations	(1,743)	0
Interest cost	(8,913)	(8,414)
Contributions by scheme participants	(1,511)	(1,525)
Benefits paid	8,888	7,548
Estimated unfunded benefits paid	277	281
Remeasurements – changes in financial assumptions	(27,912)	6,365
Remeasurements – other experience	41	(72)
Closing balance at 31 March	**(367,285)**	**(327,231)**

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

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

(£000s)	2018/19	2017/18
Opening balance at 1 April	**213,646**	**208,638**
Effects of business combination	1,571	0
Interest income on plan assets	5,937	5,502
Contributions by scheme participants	1,511	1,525
Employer contributions	6,913	6,368
Contributions in respect of unfunded benefits	277	281
Benefits paid	(8,888)	(7,548)
Unfunded benefits paid	(277)	(281)
Remeasurements – return on assets excluding amount in net interest expense	8,560	(839)
Closing balance at 31 March	**229,250**	**213,646**

Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets			
	2018/19		2017/18	
	Quoted prices in active markets	Quoted prices not in active markets	Quoted prices in active markets	Quoted prices not in active markets
Cash and cash equivalents	2,839	0	6,878	0
Equity instruments:				
Consumer	6,926	0	5,933	0
Manufacturing	4,126	0	3,836	0
Energy & utilities	4,814	0	4,598	0
Financial institutions	8,618	0	9,207	0
Health and care	1,387	0	2,266	0
Information technology	1,220	0	1,009	0
Debt securities	0	5,687	0	5,386
Private equity	0	17,357	0	19,817
Investment funds and unit trusts:				
Equities	0	128,424	0	118,318
Bonds	0	21,304	0	21,472
Infrastructure	0	9,542	0	0
Other	0	17,006	0	14,926
Closing balance at 31 March	**29,930**	**199,320**	**33,727**	**179,919**

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 2019.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2018/19	2017/18
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	22.4	22.4
Women	24.4	24.4
Longevity at 65 for future pensioners		
Men	24.0	24.0
Women	26.3	26.3
Rate of increase in salaries	2.80%	2.70%
Rate of increase in pensions	2.50%	2.40%
Rate for discounting scheme liabilities	2.40%	2.70%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.00%	25.00%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.00%	63.00%

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.

Change in assumption at 31 March 2019	Approximate % increase to employer liability	Approximate monetary amount (£000s)
0.5% decrease in the real discount rate	10%	38,459
0.5% increase in the salary increase rate	1%	5,278
0.5% increase in the pensions increase rate	9%	32,558

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 2022.

The Council paid a deficit repair contribution of £8,444,000 during 2017/18 to cover the 3 years until 31 March 2020. £3,030,000 was recognised in 2018/19 (£2,501,000 in 2017/18) with the remaining £2,913,000 being expected to be released in 2019/20.

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

	Weighted average duration (years)
Active members	23.4
Deferred members	23.1
Pensioner members	11.2
Weighted average total	**18.4**

The weighted average duration is the weighted average time until the payment of expected future discounted cash flows, 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 2019.

36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2018/19	2017/18
Interest received	811	780
Interest paid	(7,494)	(7,494)
Dividends received	664	702

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

(£000s)	2018/19	2017/18
Depreciation	16,853	15,733
Impairment and downward valuation	20,832	(106)
Amortisation	112	72
Increase in impairment for bad debts	489	125
Increase in creditors	2,979	1,406
Increase in debtors	(1,909)	(9,098)
Decrease in inventories	18	34
Movement in pension liability	5,139	5,007
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	32,656	21,590
Other non-cash items charged to the net surplus or deficit on the provision of services	(410)	(2,425)
	76,759	**32,338**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

(£000s)	2018/19	2017/18
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(34,906)	(26,301)
Any other items for which the cash effects are investing or financing cash flows	(21,682)	(7,359)
	(56,588)	**(33,660)**

37 Cash Flow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2018/19	2017/18
Purchase of property, plant and equipment, investment property and intangible assets	(56,055)	(45,178)
Purchase of short term and long term investments	(93,200)	(79,500)
Other payments for investing activities	(40)	(9)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,393	17,034
Proceeds from short term and long term investments	95,000	77,500
Other receipts from investing activities	14,248	4,448
	(28,654)	**(25,705)**

38 Cash Flow Statement – Financing Activities

(£000s)	2018/19	2017/18
Other receipts from financing activities	3,347	2,434
Net cash flows from financing activities	**3,347**	**2,434**

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.

39 Reconciliation of Liabilities Arising from Financing Activities

(£000s)	1 April 2018	Financing cash flows	31 March 2019
Long term borrowings	(213,572)	0	(213,572)
Short term borrowings	(82)	0	(82)
Short term creditors: non-domestic rates and council tax collected as an agent for others	(7,250)	(3,347)	(10,597)
Total liabilities from financing activities	**(220,904)**	**(3,347)**	**(224,251)**

40 Impact of the Adoption of New Accounting Standards on the Financial Statements – Effective for the 2018/19 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 new or amended standards within the 2019/20 Code. The standards adopted by the 2019/20 Code include:

- Amendments to IAS 40 Investment Property: transfers of investment property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: prepayment features with negative compensation

These standards are adopted with effect from 1 April 2019, but are not anticipated to have a material impact on the Statement of Accounts.

41 Date the Statement of Accounts was Authorised for Issue

The audited accounts were authorised for issue by the Council's Section 151 officer on XX June 2020. This is the date up to which events after the reporting period have been considered.

42 Events After the Reporting Period

As noted above the unaudited accounts were authorised for issue on XX June 2020. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

All Cambridge Live services and operations transferred to the Council on 1 April 2019, and transactions relating to these operations will be included in the Council's Statement of Accounts from this date. Cambridge Live Ltd and Cambridge Live (Trading) Ltd are now dormant entities, and both companies will be closed following completion of the necessary administrative work.

COVID-19 DISCLOSURES REQUIRED HERE

COVID-19 DISCLOSURES REQUIRED HERE

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	2018/19	2017/18
Income			
Dwelling rents	2	(36,984)	(36,716)
Non-dwelling rents		(757)	(782)
Charges for services and facilities		(3,304)	(3,274)
Contributions towards expenditure		(504)	(635)
Reimbursement of costs		(26)	(30)
Total		**(41,575)**	**(41,437)**
Expenditure			
Repairs and maintenance		9,769	8,104
Supervision and management		7,160	6,336
Rents, rates, taxes and other charges		207	280
Depreciation, impairment and reversal of revaluation losses on non-current assets		23,048	4,285
Increased provision for bad debts		173	312
Total		**40,357**	**19,317**
Net expenditure		**(1,218)**	**(22,120)**
HRA services share of Corporate and Democratic Core		294	354
Net expenditure on HRA services as included in the Comprehensive Income and Expenditure Statement		**(924)**	**(21,766)**
HRA share of other income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Surplus) or deficit on sale of HRA non-current assets		(3,254)	(3,181)
Other income		0	(26)
Impairment losses on assets held for sale		0	91
Interest payable on PWLB loans		7,494	7,494
Interest and investment income		(1,486)	(1,194)
Capital grants and contributions receivable		(13,921)	(1,270)
(Surplus) / deficit for the year on HRA services		**(12,091)**	**(19,852)**

Statement of Movement on the Housing Revenue Account

(£000s)	Note	2018/19	2017/18
(Surplus) / deficit for the year on the HRA Income and Expenditure Account		**(12,091)**	**(19,852)**
Adjustments between accounting basis and funding basis under statute			
Gain on sale of non-current assets		3,055	3,181
Other capital receipts		0	26
Impairment of losses on assets held for sale		0	(91)
Net revaluation (losses)/gains and impairment losses on property, plant and equipment		(12,377)	5,437
Capital contributions unapplied credited to the Comprehensive Income and Expenditure Statement		13,921	1,270
Movement in investment property value		155	151
Net charges made for retirement benefits made in accordance with IAS19	10	(2,061)	(1,764)
Employers contributions payable to the Cambridgeshire Pension Fund	10	1,569	1,386
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		(54)	12
Capital expenditure funded by the Housing Revenue Account	7	727	4,519
Net (increase) / decrease before transfers to or from reserves		**(7,156)**	**(5,725)**
Transfers to reserves		4,556	6,884
Total movement on Housing Revenue Account for the year		**(2,600)**	**1,159**
Housing Revenue Account balance brought forward		**(9,020)**	**(10,179)**
Housing Revenue Account balance carried forward		**(11,620)**	**(9,020)**

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 ‘ring-fenced’, 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 2019, 1.6% of properties were vacant (1.8% at 31 March 2018).

The average rent payable in 2018/19 was £109.41 per week based on 48 payable rent weeks (£100.99 per week on a 52 week basis). The average rent payable in 2017/18 was £109.42 per week based on 48 payable rent weeks (£101.00 per week on a 52 week basis).

3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2019	31 March 2018	2018/19	2017/18
Dwellings	612,585	628,303	10,434	9,332
Other land and buildings	9,667	9,190	139	148
Infrastructure	2,381	2,449	68	63
Vehicles, plant and equipment	182	152	25	25
Investment properties	5,667	5,511	0	63
Intangible assets	134	9	5	5
Non-current assets held for sale	0	67	0	0
Surplus assets	0	0	0	86
Assets under construction	12,263	10,461	0	0
	642,879	**656,142**	**10,671**	**9,722**

The value of council dwellings at 1 April 2018, based on vacant possession, was £1,653 million (1 April 2017: £1,525 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 losses on property, plant and equipment of £13.0 million have been charged to the Comprehensive Income and Expenditure Statement in 2018/19 (net revaluation loss reversals credited of £5.7 million in 2017/18). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

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 rules 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 2018/19 (£7,494,000 in 2017/18).

5 Housing Stock

The Council was responsible for an average stock of 7,158 dwellings during the year. The stock as at 31 March 2019 was as follows:

	31 March 2019	31 March 2018
Houses & bungalows	3,533	3,541
Flats	3,041	3,051
Sheltered housing units	510	511
Shared ownership properties (whole property equivalent)	62	67
Total	**7,146**	**7,170**
The change in stock during the year can be summarised as follows:		
Stock at 1 April	**7,170**	**7,096**
Right to buy sales	(27)	(47)
Open market disposals	(2)	(1)
Net shared ownership changes	(5)	20
Acquisitions	2	23
New properties	9	108
Other changes	(1)	(1)
Demolitions	0	(28)
Stock as at 31 March	**7,146**	**7,170**

6 Rent Arrears

Rent arrears at 31 March 2019 were £1,688,000 (£1,652,000 at 31 March 2018) and as a proportion of gross rent income have increased from 4.14% in 2017/18 to 4.19% in 2018/19.

At 31 March 2019 a net provision for bad debt of £1,406,000 was held on the Balance Sheet (£1,393,000 at 31 March 2018).

7 Financing of Capital Expenditure

(£000s)	2018/19	2017/18
Capital expenditure		
Dwellings	6,194	6,403
Other land and buildings	11,451	0
Plant, vehicles and equipment	61	7
Infrastructure assets	0	194
Assets under construction	13,066	11,557
Intangible assets	130	0
Other adjustments	0	(7)
	30,902	**18,154**
Financed by:		
Capital receipts	8,654	4,798
Major repairs reserve	7,602	7,111
Revenue financing of capital	727	4,519
Capital contributions and grants	13,919	1,726
	30,902	**18,154**

8 Capital receipts within the HRA

(£000s)	2018/19	2017/18
Dwellings	7,851	12,680
Land	23	0
Total receipts	**7,874**	**12,680**
Payable to central government	(1,134)	(961)
Usable capital receipts	**6,740**	**11,719**

9 Major Repairs Reserve (MRR)

(£000s)	2018/19	2017/18
Balance at 1 April	**(8,154)**	**(5,549)**
Transfer to MRR during the year	(10,671)	(9,716)
HRA capital expenditure on housing charged to MRR	7,601	7,111
Balance at 31 March	**(11,224)**	**(8,154)**

10 Contributions from the Pensions Reserve

The Housing Revenue Account is charged with a share of current service costs in line with IAS 19. 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.

Collection Fund Statement

The Collection Fund Statement 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	2018/19		2017/18	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council tax	2	(74,395)		(69,310)	0
Non-domestic rates income			(109,978)	0	(104,341)
Contributions towards previous year's estimated Collection Fund deficit					
Central government		0	(533)	0	(944)
Cambridge City Council		(16)	(426)	(32)	(755)
Cambridgeshire County Council		(101)	(96)	(207)	(170)
Cambridgeshire Police & Crime Commissioner		(16)	0	(32)	0
Cambridgeshire Fire Authority		(5)	(10)	(12)	(19)
Transitional protection receipts		0	(308)	0	(21)
Total income		**(74,533)**	**(111,351)**	**(69,593)**	**(106,250)**
Council tax expenditure					
Cambridge City Council	4	8,243	0	7,839	0
Cambridgeshire County Council	4	53,728	0	49,971	0
Cambridgeshire Police & Crime Commissioner	4	8,543	0	7,839	0
Cambridgeshire Fire Authority	4	2,956	0	2,804	0
Impairment of council tax debts	5	1,004	0	931	0
Non-domestic rates expenditure					
Cambridge City Council		0	42,810	0	40,874
Cambridgeshire County Council		0	9,632	0	9,196
Cambridgeshire Fire Authority		0	1,070	0	1,022
Non-domestic rates due to central government		0	53,512	0	51,092
Transitional protection payments		0	0	0	0
Impairment of non-domestic rates debts	6	0	941	0	192
Provision for non-domestic rates appeals	6	0	(137)	0	1,068
Allowable costs of non-domestic rates collection		0	234	0	226
Total expenditure		**74,474**	**108,062**	**69,384**	**103,670**
(Surplus) / deficit for the year		**(59)**	**(3,289)**	**(209)**	**(2,580)**
(Surplus) / deficit as at 1 April		**19**	**(723)**	**228**	**1,857**
(Surplus) / deficit as at 31 March	**7**	**(40)**	**(4,012)**	**19**	**(723)**

Notes to the Collection Fund Statement

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 which 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 2019 was set at £1,709.06, made up as follows:

(£)	2018/19	2017/18
Cambridge City Council	191.75	186.75
Cambridgeshire County Council	1,249.83	1,190.43
Cambridgeshire Police & Crime Commissioner	198.72	186.75
Cambridgeshire Fire Authority	68.76	66.78
Total	**1,709.06**	**1,630.71**

The following table shows the calculation of the Council Tax Base for 2018/19 (used to determine the tax needed at Band D to finance spending).

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	4,142	2,920	6/9	1,947
B	10,195	8,358	7/9	6,501
C	19,410	16,993	8/9	15,105
D	9,849	8,521	9/9	8,521
E	5,650	4,853	11/9	5,931
F	3,619	3,162	13/9	4,567
G	3,121	2,611	15/9	4,352
H	482	297	18/9	594
Total	**56,468**	**47,715**		**47,518**
Tax Base adjustments				**(4,529)**
Tax base for Council Tax Setting				**42,989**

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 £74.4 million in 2018/19 was receivable from the following sources:

(£000s)	2018/19	2017/18
Billed to council tax payers	74,359	69,272
Transfers (to) / from General Fund	36	38
Total	**74,395**	**69,310**

3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2019 was £299,159,267 (£294,561,174 at 31 March 2018) and the Uniform Business Rate in 2018/19 was set by the government at 49.3p (2017/18: 47.9p).

4 Council Tax Expenditure

(£000s)	2018/19			2017/18		
	Precepts and Demands	Distribution of previous year's surplus	Total	Precepts and Demands	Distribution of previous year's surplus	Total
Cambridge City Council	8,243	0	8,243	7,839	0	7,839
Cambridgeshire County Council	53,728	0	53,728	49,971	0	49,971
Cambridgeshire Police and Crime Commissioner	8,543	0	8,543	7,839	0	7,839
Cambridgeshire Fire Authority	2,956	0	2,956	2,803	0	2,803

5 Provision for Non-Payment - Council Tax

A contribution of £1,004,000 (£931,000 in 2017/18) was made to a provision for bad and doubtful debts in 2018/19. This contribution is net of £17,000 of debts which were written back (2017/18, £5,000).

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

A contribution of £941,000 (£192,000 in 2017/18) was made to a provision for bad and doubtful debts in 2018/19. This contribution is net of £4,000 of debts which were written back (2017/18: £6,000).

A provision is held for appeals relating to rateable value reductions in respect of 2018/19 and prior years. At 31 March 2019 this provision is £10,122,000 (£10,259,000 at 31 March 2018).

7 Collection Fund Surpluses and Deficits

The surplus of £40,000 at 31 March 2019 (£19,000 deficit at 31 March 2018), 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 (surplus)/deficit is therefore shared as follows:

(£000s)	31 March 2019	31 March 2018
Council Tax:		
Cambridge City Council	(4)	2
Cambridgeshire County Council	(29)	14
Cambridgeshire Police & Crime Commissioner	(5)	2
Cambridgeshire Fire Authority	(2)	1
Total	**(40)**	**19**

The surplus of £4,012,000 at 31 March 2019 (surplus of £723,000 at 31 March 2018) in respect of non-domestic rates will be redistributed in subsequent financial years to 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 surplus is therefore shared as follows:

(£000s)	31 March 2019	31 March 2018
Non-domestic rates:		
Cambridge City Council	(1,605)	(289)
Cambridgeshire County Council	(361)	(65)
Cambridgeshire Fire Authority	(40)	(7)
Central government	(2,006)	(362)
Total	**(4,012)**	**(723)**

Group Financial Statements for the year ended 31 March 2019

Introduction

In order to provide a full picture of the Council's economic activities and financial position, Group Financial Statements are presented in addition to the Council's single entity financial statements and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 'Code'). They comprise:

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

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

In addition to the financial performance of the Council, the Group Financial Statements comprise:

- Cambridge City Housing Company Limited
- Cambridge Investment Partnership LLP
- Cambridge Live Group

Cambridge City Housing Company Limited (CCHC) was incorporated on 15 February 2016 and began trading in May 2016.

The objective of the company is to provide and manage housing that is affordable for those in housing need and any other property related activity in Cambridge and neighbouring districts that also generates a financial return for the Council.

As the company is wholly owned by Cambridge City Council, it has been consolidated as a subsidiary in the Group Financial Statements.

Cambridge Investment Partnership LLP (CIP) was incorporated on 22 December 2016. CIP is a joint venture between the Council (50%) and Hill Investment Partnerships formed with the objective of redeveloping sites in Cambridge for housing, including the provision of affordable housing.

The structure of the partnership has been amended during the year and, at 31 March 2019, included three separate companies.

Cambridge Investment Partnership LLP, incorporated 30 November 2018, will provide management services to CIP operating companies as needed. This is a new company and replaces the organisation reported in the 2017/18 accounts. The financial statements for the year ended 31 March 2019 were a nil return.

Operating companies are being established for individual sites as they commence and details of the first two are given below.

CIP (Mill Road Development) LLP, incorporated on 22 December 2016. This was formerly the Cambridge Investment Partnership LLP reported in the 2017/18 accounts. This company reported a loss of £500,000 in the year ended 31 March 2019 (£413,000 loss in 2017/18).

CIP (Cromwell Road) LLP was incorporated on 10 January 2019. The financial statements for the year ended 31 March 2019 had no transactions going through the Statement of Comprehensive Income.

Cambridge Live was established as an arts trust charity to manage the running of live events in the city including Cambridge Folk Festival and a program of events in the Corn Exchange. The trust ran into difficulty in 2018 and has been managed by Council staff since 1 October 2018. The trust and an associated subsidiary trading company (Cambridge Live Trading Limited) are in the process of being wound up, and all activities reverted to the Council with effect from 1 April 2019. The results of the companies have been consolidated on a subsidiary basis from 1 October 2018, which is the date upon which the Council took direct control of its operations.

Accounting Policies

The results of these entities are adjusted where applicable to align their accounting policies with those of the Council. All entities have a financial year-end of 31 March, although it should be noted in the case of the Cambridge Live Group that only 6 months' of transactions have been consolidated into these Group Financial Statements, as explained above.

CCHC holds properties for rent which have been recognised as property, plant and equipment in the Group Financial Statements.

As a subsidiary, the accounts of CCHC have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full. CCHC income and expenditure, adjusted for transactions with the Council, is included on the relevant service lines in the Group Comprehensive Income and Expenditure Statement. Similarly, year-end balances are incorporated into the relevant lines on the Group Balance Sheet, after removing balances owed between the parties. The same approach has been applied for the Cambridge Live Group, as the Council has direct control of these entities.

In line with the requirements of the Code, the Council accounts for its interest in the CIP entities using the equity method. This requires an investor to bring the investment into the Group Balance Sheet at cost and then to adjust the carrying value by the change in the investor's share of net assets. The share of CIP's operating results is included in the Group Comprehensive Income and Expenditure Statement. Unrealised profits on transactions between the Council and the joint venture are eliminated to the extent that they do not reduce the carrying value of the investment below zero.

Group Movement in Reserves Statement

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

Financial year 2018/19

(£000s)	Council (after the removal of intra-group transactions)					Council share of subsidiaries' and joint ventures' usable reserves	Total Group usable reserves	Council unusable reserves	Council share of subsidiaries' and joint ventures' unusable reserves	Total Group unusable reserves	Total Group reserves
	General Fund balance (including Earmarked Reserves)	Housing Revenue Account balance (including Earmarked Reserves)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied						
Balance as at 1 April 2018	**(37,878)**	**(20,137)**	**(40,487)**	**(8,154)**	**(5,415)**	**85**	**(111,986)**	**(638,203)**	**(565)**	**(638,768)**	**(750,754)**
Movement in reserves during 2017/18											
(Surplus) / deficit on the provision of services	8,099	(12,072)	0	0	0	225	(3,748)	0	0	0	(3,748)
Other comprehensive income and expenditure	0	0	0	0	0	565	565	22,471	(128)	22,343	22,908
Total comprehensive income and expenditure	**8,099**	**(12,072)**	**0**	**0**	**0**	**790**	**(3,183)**	**22,471**	**(128)**	**22,343**	**19,160**
Adjustments between accounting basis and funding basis under regulations	(10,158)	4,935	(14,561)	(3,070)	(5,075)	0	(27,929)	27,929	0	27,929	0
(Increase) / decrease in year	**(2,059)**	**(7,137)**	**(14,561)**	**(3,070)**	**(5,075)**	**790**	**(31,112)**	**50,400**	**(128)**	**50,272**	**19,160**
Balance as at 31 March 2019	**(39,937)**	**(27,274)**	**(55,048)**	**(11,224)**	**(10,490)**	**875**	**(143,098)**	**(587,803)**	**(693)**	**(588,496)**	**(731,594)**

Financial year 2017/18

(£000s)	Council (after the removal of intra-group transactions)					Council share of subsidiaries' and joint ventures' usable reserves	Total Group usable reserves	Council unusable reserves	Council share of subsidiaries' and joint ventures' unusable reserves	Total Group unusable reserves	Total Group reserves
	General Fund balance (including Earmarked Reserves)	Housing Revenue Account balance (including Earmarked Reserves)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied						
Balance as at 1 April 2017	**(38,642)**	**(14,420)**	**(32,293)**	**(5,549)**	**(4,231)**	**67**	**(95,068)**	**(600,560)**	**0**	**(600,560)**	**(695,628)**
Movement in reserves during 2017/18											
(Surplus) / deficit on the provision of services	2,210	(19,844)	0	0	0	18	(17,616)	0	0	0	(17,616)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	(36,945)	(565)	(37,510)	(37,510)
Total comprehensive income and expenditure	**2,210**	**(19,844)**	**0**	**0**	**0**	**18**	**(17,616)**	**(36,945)**	**(565)**	**(37,510)**	**(55,126)**
Adjustments between accounting basis and funding basis under regulations	(1,446)	14,127	(8,194)	(2,605)	(1,184)	0	698	(698)	0	(698)	0
(Increase) / decrease in year	**764**	**(5,717)**	**(8,194)**	**(2,605)**	**(1,184)**	**18**	**(16,918)**	**(37,643)**	**(565)**	**(38,208)**	**(55,126)**
Balance as at 31 March 2018	**(37,878)**	**(20,137)**	**(40,487)**	**(8,154)**	**(5,415)**	**85**	**(111,986)**	**(638,203)**	**(565)**	**(638,768)**	**(750,754)**

Group 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)	2018/19			2017/18		
	Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Communities	12,541	(2,785)	9,756	12,230	(795)	11,435
Streets and Open Spaces	10,964	(3,081)	7,883	10,286	(2,937)	7,349
Environmental Services and City Centre	8,030	(3,528)	4,502	7,723	(2,680)	5,043
Planning, Policy and Transport	10,108	(11,932)	(1,824)	12,554	(12,845)	(291)
General Fund Housing	6,509	(2,080)	4,429	6,428	(1,643)	4,785
Housing Revenue Account	40,651	(41,556)	(905)	19,671	(41,429)	(21,758)
Finance and Resources	40,686	(37,804)	2,882	42,493	(39,736)	2,757
Strategy and Transformation	7,394	(83)	7,311	6,085	(856)	5,229
Other Group housing services	35	(295)	(260)	303	(285)	18
Cost of services	**136,918**	**(103,144)**	**33,774**	**117,773**	**(103,206)**	**14,567**
Other operating expenditure	1,134	(2,312)	(1,178)	3,119	(4,543)	(1,424)
Financing and investment income and expenditure	13,876	(6,563)	7,313	13,831	(15,841)	(2,010)
Taxation and non-specific grant income	0	(43,657)	(43,657)	0	(28,749)	(28,749)
(Surplus) / deficit on the provision of services	**151,928**	**(155,676)**	**(3,748)**	**134,723**	**(152,339)**	**(17,616)**
Items that will not be reclassified to the (surplus) or deficit on the provision of services						
(Surplus) / deficit on revaluation of non-current assets and impairment losses charged to revaluation reserve			3,032			(31,384)
Remeasurements of the net defined benefit liability			19,876			(5,454)
			22,908			**(36,838)**
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			0			(672)
Other comprehensive (income) / expenditure			**22,908**			**(37,510)**
Total comprehensive (income) / expenditure			**19,160**			**(55,126)**

Group Balance Sheet

The Group Balance Sheet shows the value at the stated date of the Group'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 Group 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 Group is not able to use to provide services. This category of reserves includes those reserves that hold unrealisable 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	2018/19	2017/18
Property, plant and equipment	6	789,832	803,240
Heritage assets		669	669
Investment property		170,782	175,281
Intangible assets		336	318
Long term investments	8	49,562	25,275
Long term debtors		3,745	11,521
Long term assets		**1,014,926**	**1,016,304**
Short term investments	8	79,894	73,176
Assets held for sale		0	67
Inventories		151	151
Short term debtors		20,774	17,820
Cash and cash equivalents		9,837	8,316
Current assets		**110,656**	**99,530**
Short term borrowing		(82)	(82)
Short term creditors		(29,633)	(22,894)
Receipts in advance	9	(7,266)	(4,272)
Provisions		(4,445)	(4,467)
Current liabilities		**(41,426)**	**(31,715)**
Long term borrowing		(213,572)	(213,572)
Other long term liabilities		(138,895)	(113,585)
Receipts in advance		(95)	0
Capital grants receipts in advance		0	(6,208)
Long term liabilities		**(352,562)**	**(333,365)**
Net assets		**731,594**	**750,754**
Usable reserves		(143,098)	(111,986)
Unusable reserves		(588,496)	(638,768)
Total R=reserves		**(731,594)**	**(750,754)**

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group 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 Group are funded by way of taxation, grant income and by the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group'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 Group.

(£000s)	2018/19	2017/18
Net surplus or (deficit) on the provision of services	3,748	17,616
Adjustment to surplus or deficit on the provision of service for non-cash movements	78,304	32,482
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(56,588)	(33,660)
Net cash flows from operating activities	**25,464**	**16,438**
Net cash flows from investing activities	(27,290)	(25,705)
Net cash flows from financing activities	3,347	2,434
Net increase / (decrease) in cash and cash equivalents	**1,521**	**(6,833)**
Cash and cash equivalents at the beginning of the year	8,316	15,149
Cash and cash equivalents at the end of the year	**9,837**	**8,316**

Index to the notes to the Group Financial Statements

1 Group Expenditure and Funding Analysis

The Group Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Group in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Group's activities. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Group Comprehensive Income and Expenditure Statement.

(£000s)	2018/19					2017/18 (Restated)				
	Net amount chargeable to the General Fund, HRA, and share of subsidiaries' usable reserves	Adjustments for capital purposes	Net change for pensions adjustments	Other differences	Net expenditure in the Comprehensive Income and Expenditure Statement	Net amount chargeable to the General Fund, HRA, and share of subsidiaries' usable reserves	Adjustments for capital purposes	Net change for pensions adjustments	Other differences	Net expenditure in the Comprehensive Income and Expenditure Statement
Communities	6,544	2,757	455	0	9,756	5,652	5,372	411	0	11,435
Streets and Open Spaces	5,550	1,273	1,060	0	7,883	5,464	1,061	824	0	7,349
Environmental Services and City Centre	3,859	614	29	0	4,502	4,286	355	402	0	5,043
Planning, Policy and Transport	(3,380)	1,105	451	0	(1,824)	(2,342)	1,325	726	0	(291)
General Fund Housing	3,166	882	381	0	4,429	3,434	887	414	50	4,785
Housing Revenue Account	(13,973)	12,576	492	0	(905)	(16,700)	(5,436)	378	0	(21,758)
Finance and Resources	1,278	1,208	396	0	2,882	1,110	1,241	406	0	2,757
Strategy and Transformation	6,778	1,634	(1,101)	0	7,311	6,194	595	(1,561)	1	5,229
Other Group housing services	(260)	0	0	0	(260)	18	0	0	0	18
Net cost of services	**9,562**	**22,049**	**2,163**	**0**	**33,774**	**7,116**	**5,400**	**2,000**	**51**	**14,567**
Other income and expenditure	(18,533)	(20,851)	2,976	(1,114)	(37,522)	(12,051)	(22,069)	3,007	(1,070)	(32,183)
(Surplus) / deficit for the year	**(8,971)**	**1,198**	**5,139**	**(1,114)**	**(3,748)**	**(4,935)**	**(16,669)**	**5,007**	**(1,019)**	**(17,616)**
Other comprehensive expenditure charged to subsidiary usable reserves	565					0				
Total movement in General Fund, HRA and share of subsidiary usable reserves	**(8,406)**					**(4,935)**				
Opening General Fund, HRA and share of subsidiary usable reserves at 1 April	(57,930)					(52,995)				
Closing General Fund, HRA and share of subsidiary usable reserves at 31 March	**(66,336)**					**(57,930)**				

Income and expenditure are analysed subjectively as follows:

(£000s)	2018/19	2017/18
Employee benefit expenses	37,164	36,700
Other service expenses	70,655	69,003
Depreciation, amortisation and impairment	30,833	15,977
Interest payments and investment income expenses	12,142	12,082
Payments to Housing Capital Receipts Pool	1,134	961
Total expenditure	**151,928**	**134,723**
Fees, charges and other service income	(65,339)	(64,294)
Interest and investment income	(4,637)	(13,959)
Income from council tax	(8,234)	(7,830)
Income from non-domestic rates	(5,370)	(4,655)
(Gain) or loss on the disposal of non-current assets	(2,312)	(4,543)
Government grants, contributions and donations	(69,784)	(57,058)
Total income	**(155,676)**	**(152,339)**
(Surplus) or deficit on the provision of services	**(3,748)**	**(17,616)**

2 Group Boundary

Cambridge City Housing Company Limited (CCHC) was incorporated on 15 February 2016 and commenced trading in May 2016. The Council purchased 100% of the share capital, £1, on incorporation. CCHC is a subsidiary for accounting purposes and has been consolidated into the Group Financial Statements.

CIP (Mill Road Development) LLP (formerly known as Cambridge Investment Partnership LLP as reported in the prior year Group Financial Statements) was incorporated on 22 December 2016. The Council contributed 50% of the equity, and the entity is a joint venture for accounting purposes.

During the year, a further two entities were set up under the CIP partnership arrangements, namely Cambridge Investment Partnership LLP (incorporated 30 November 2018) and CIP (Cromwell Road) LLP (incorporated 10 January 2019). The Council contributed 50% of the equity of each, and both will be treated as joint ventures for accounting purposes.

Cambridge Live is company limited by guarantee and was incorporated 12 May 2014. It has one wholly owned trading subsidiary, Cambridge Live Trading Limited (incorporated 13 May 2014). Both companies (together the ‘Cambridge Live Group’) have been treated as subsidiaries from 1 October 2018, which is the date that the Council took direct control of their operations, and have been consolidated accordingly into the Group Financial Statements.

3 Basis of Consolidation

The financial statements of CCHC and the Cambridge Live Group have been consolidated with those of the Council on a line by line basis which has eliminated balances, transactions, income and expenditure between the Council and the subsidiaries.

The Council's share of CIP (Mill Road Development) LLP's post acquisition results is a loss of £457,000 (31 March 2018: £206,000). In addition, the Council's share of the provision for unrealised profit on the disposal of the Mill Road site is £681,000 (31 March 2018: £681,000). As these amounts exceed the value of the Council's investment, the consolidated value of the LLP for group accounting purposes is currently nil (31 March 2018: nil).

4 Business Activity of the Subsidiary and Joint Venture

The objective of Cambridge City Housing Company is to provide and manage intermediate housing for rent for those in housing need and any other property related activity in Cambridge and neighbouring districts that also generates a financial return to the Council.

The objective of the Cambridge Investment Partnership entities is to bring forward sites for redevelopment and to provide housing, including affordable housing.

The objective of Cambridge Live is the advancement of art for the public benefit. It fulfils this objective through the delivering of an extensive events programme from a number of venues around Cambridge. Cambridge Live Trading Limited exists to support the work of Cambridge Live through the operation of commercial trading activities.

5 Accounting Policies

In preparing the Group Financial Statements the Council has aligned the accounting policies of all group entities with those of the Council. These are set out on pages 82 to 99.

6 Property Plant and Equipment

Financial year 2018/19

(£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 2018	**628,303**	**152,244**	**22,654**	**5,156**	**1,344**	**0**	**15,430**	**825,131**
Additions	6,194	30,363	2,977	11	0	0	14,881	54,426
Revaluation increases / (decreases) recognised in the revaluation reserve	(15,885)	(134)	0	0	0	0	0	(16,019)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(13,164)	158	0	0	0	0	0	(13,006)
De-recognition – disposals	(3,098)	0	(688)	0	0	0	0	(3,786)
De-recognition – other	(1,543)	(451)	0	0	0	0	(167)	(2,161)
Assets reclassified (to) / from investment properties	0	(2,400)	0	0	0	0	0	(2,400)
Assets reclassified (to) / from assets held for sale	0	(27,000)	0	0	0	0	0	(27,000)
Assets reclassified (to) / from other categories of property, plant and equipment	11,778	3,276	1,332	631	(11)	0	(17,006)	0
At 31 March 2019	**612,585**	**156,056**	**26,275**	**5,798**	**1,333**	**0**	**13,138**	**815,185**
Accumulated depreciation and impairment								
At 1 April 2018	**0**	**(6,797)**	**(13,697)**	**(810)**	**0**	**0**	**(587)**	**(21,891)**
Depreciation charge	(10,434)	(4,648)	(1,783)	(135)	0	0	0	(17,000)
Depreciation written out to the revaluation reserve	10,933	2,054	0	0	0	0	0	12,987
Impairment recognised in the surplus / deficit on the provision of services	0	(92)	(145)	0	0	0	0	(237)
De-recognition – disposals	52	0	688	0	0	0	0	740
De-recognition – other	36	12	0	0	0	0	0	48
Assets reclassified to / (from) other categories of property, plant and equipment	(587)	0	0	0	0	0	587	0
At 31 March 2019	**0**	**(9,471)**	**(14,937)**	**(945)**	**0**	**0**	**0**	**(25,353)**
Net book value								
At 31 March 2019	**612,585**	**146,585**	**11,338**	**4,853**	**1,333**	**0**	**13,138**	**789,832**
At 31 March 2018	**628,303**	**145,447**	**8,957**	**4,346**	**1,344**	**0**	**14,843**	**803,240**

Financial year 2017/18

(£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 2017	**579,588**	**148,679**	**20,742**	**4,523**	**1,195**	**9,261**	**30,554**	**794,542**
Opening adjustment	0	192	0	0	0	0	0	192
Additions	6,403	1,189	2,193	262	18	0	17,831	27,896
Revaluation increases / (decreases) recognised in the revaluation reserve	19,184	3,560	0	0	0	0	(2,045)	20,699
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	6,605	(3,653)	0	0	0	0	0	2,952
De-recognition – disposals	(4,643)	0	0	0	0	0	0	(4,643)
De-recognition – other	(177)	(1,165)	6	0	0	0	(4,098)	(5,434)
Assets reclassified (to) / from investment properties	0	(463)	0	0	0	(1,225)	0	(1,688)
Assets reclassified (to) / from assets held for sale	(68)	(3,259)	(481)	0	0	0	(5,383)	(9,191)
Assets reclassified (to) / from intangibles	0	0	0	0	0	0	(192)	(192)
Assets reclassified (to) / from other categories of property, plant and equipment	21,411	7,164	196	371	131	(8,036)	(21,237)	0
Other movements	0	0	(2)	0	0	0	0	(2)
At 31 March 2018	**628,303**	**152,244**	**22,654**	**5,156**	**1,344**	**0**	**15,430**	**825,131**
Accumulated depreciation and impairment								
At 1 April 2017	**0**	**(3,009)**	**(12,519)**	**(675)**	**0**	**0**	**0**	**(16,203)**
Opening adjustment	0	(192)	0	0	0	0	0	(192)
Depreciation charge	(9,395)	(4,586)	(1,649)	(135)	0	(85)	0	(15,850)
Depreciation written out to the revaluation reserve	9,290	1,636	0	0	0	0	116	11,042
De-recognition – disposals	73	0	0	0	0	0	0	73
De-recognition – other	0	31	0	0	0	0	0	31
Impairment recognised in the surplus / deficit on the provision of services	0	(540)	0	0	0	0	(304)	(844)
Impairments recognised in the revaluation reserve	0	(162)	0	0	0	0	(283)	(445)
Assets reclassified to / (from) investment properties	0	25	0	0	0	0	0	25
Assets reclassified to / (from) assets held for sale	1	0	471	0	0	0	0	472
Assets reclassified to / (from) other categories of property, plant and equipment	31	0	0	0	0	85	(116)	0
At 31 March 2018	**0**	**(6,797)**	**(13,697)**	**(810)**	**0**	**0**	**(587)**	**(21,891)**
Net book value								
At 31 March 2018	**628,303**	**145,447**	**8,957**	**4,346**	**1,344**	**0**	**14,843**	**803,240**
At 31 March 2017	**579,588**	**145,670**	**8,223**	**3,848**	**1,195**	**9,261**	**30,554**	**778,339**

7 Property – Revaluations

Full details of the revaluation policy and approach adopted in respect of Council assets is set out in note 15 to the single entity accounts on page 27.

CCHC properties are subject to annual revaluation by external valuers as at 31 March each year. The RICS registered valuers were:

G Harbord MA MRICS IRRV (Hons) (Wilks Head and Eve)
M Aldis BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)
P Smith BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)

The basis of valuation is current value derived from existing use. Valuations are undertaken with reference to 'Stock Valuation for Resource Accounting Guidance 2016' published by the Ministry of Housing, Communities and Local Government (MHCLG). Valuations are also carried out in accordance with the RICS Valuation – Professional Standards ('Red Book'), except where they are varied to reflect the current policy requirements of MHCLG.

Valuations are undertaken using the beacon method. Under this method, the company divides its housing stock into a number of 'archetypes'. Properties within each archetype have similar characteristics (e.g. location, property type, number of bedrooms), and as such are deemed to have the same current value. Within each archetype, one representative property (or 'beacon') is selected for valuation. Beacon properties are inspected by the valuers on an annual basis.

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	Total
Valued at fair value as at:			
31 March 2019	612,585	100,129	712,714
31 March 2018	0	1,116	1,116
31 March 2017	0	2,290	2,290
31 March 2016	0	39,092	39,092
31 March 2015	0	3,958	3,958
Total Valuation	**612,585**	**146,585**	**759,170**

8 Short Term and Long Term Investments

(£000s)	2018/19		2017/18	
	Long term	Short term	Long term	Short term
Investments in Icelandic banks and their UK subsidiaries	0	0	0	41
Loans to joint ventures	31,850	0	0	0
Other investments	17,712	79,894	25,275	73,135
	49,562	**79,894**	**25,275**	**73,176**

9 Receipts in Advance

(£000s)	31 March 2019	31 March 2018
Cambridge City Council share of council tax receipts in advance	(360)	(312)
Cambridge City Council share of non-domestic rates receipts in advance	(858)	(994)
Capital grants receipts in advance	(616)	0
Housing tenants and leaseholders	(657)	(702)
Advance income from Cambridge Live events	(3,081)	0
Other	(1,694)	(2,264)
	(7,266)	**(4,272)**

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which 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 2018/19 (the 'Code'), 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.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

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.

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 where 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, i.e, 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; and
- 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 amortisation. 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 amortisation is 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.

The provisions for depreciation charges to revenue for non-current assets in the HRA are different. The Major Repairs Reserve is credited and the HRA balance is debited with a sum equal to depreciation on all HRA non-current assets. This means that depreciation is a charge to the HRA, but that balances are held in the Major Repairs Reserve for future spend on the housing stock. HRA revaluation and impairment losses are reversed in the same manner as for the General Fund.

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 Accumulated Absences 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 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 future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (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 pension 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 or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
    - Net interest on the net defined benefit liability – i.e. the net interest expense for the Council. 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 pension 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.

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 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 Accounts.

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 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.

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

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

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

Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the 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 financial assets held by the Council, 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.

However, the Council has also made a number of interest-free loans for private sector housing improvements, which are classified as ‘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 annually based upon an effective rate of interest, which serves to increase the amortised cost of the loans 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.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

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.

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.

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 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-ringfenced 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 licences) 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.

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 cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment 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, and 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 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.

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 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. if 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
- 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 service segments in accordance with the Council's arrangements for accountability and financial performance.

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.

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; and
- 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.

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 paid 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), a 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)
- 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 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 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 Financing Requirement). Receipts are appropriated to the Capital Receipts 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 valuers
- 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

Depreciation is based on the value of assets as at 1 April, so no charge is made in the year of acquisition and a full charge is made in the year of disposal.

Where an item of property, plant and equipment 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 and Art Collection

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[15].

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. Carrying amounts 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

[15] https://www.cambridge.gov.uk/ceremonial-maces-1207-charter-and-the-citys-coat-of-arms

accordance with the Council's general policy on impairment of non-current assets. The Council does not normally make any purchases or disposals of these items.

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[16].

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.

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.

[16] https://www.cambridge.gov.uk/cellarers-chequer

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 or 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.

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.

25 Group Financial Statements

Subsidiary entities are those over which the Council is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expense, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines within the Group Financial Statements. Appropriate adjustments are made to align the accounting policies of subsidiaries with those of the Council.

Joint ventures are arrangements in which the Council has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement.

Joint ventures are recognised in the Group Financial Statements using the equity method. The investment is initially recognised at cost. It is increased or decreased subsequently to reflect the Council's share of the entity's profit or loss or other gains and losses following acquisition. Once the value of the investment reaches zero it is not reduced further.

Unrealised profits on transactions with joint ventures are only eliminated against the investment to the extent that it reduces the carrying value of the investment in the Group Financial Statements to nil. The Council does not then recognise further profits in the joint venture until they exceed unrecognised unrealised profits.

Where the impact of entities on the Group Financial Statements is considered to be immaterial they are not consolidated.

Glossary of Financial Terms

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.

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 Council expenditure. They may be specific, for example Housing Benefit Subsidy, or general such as Revenue Support Grant.

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 & fire authority) 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.

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 2018/19. 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.

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
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
SOLACE	Society of Local Authority Chief Executives and Senior Managers

Version 3.0
7 October 2019
FINAL

General Fund
Medium Term Financial Strategy

October 2019

2019/20 to 2024/25

Cambridge City Council

CAMBRIDGE
CITY COUNCIL

Contents

Appendices

Foreword by the Leader of the Council and the Executive Councillor for Finance and Resources

Cambridge City Council produces two main financial documents produced each year, the Budget Setting Report (BSR) and this, the Medium Term Financial Strategy (MTFS). The BSR is crucial as, when agreed by full Council, it delegates to officers' authority to run the council, providing services to the city and applying charges and fees in accordance with the budget. While not as fundamental, the MTFS fulfils an important role in drawing together a review of financial information available, assumptions and forecasts. This then provides a basis on which to prepare the budget for the year ahead.

In more normal times we would at this point have some certainty of the financial settlement to be made available to us by the government for next year, 2020/21, and the extent to which any increases in Council Tax we may propose to make, will be restricted by capping. But there is in practice considerable uncertainty, even more than in previous years. Some of this has been because various reviews and consultations on possible changes in policy are still awaiting completion. Not that there can be any certainty as to the results because the Government may not apply the findings. For instance, the so-called Fair Funding review, which appears to be heading towards applying a very unfair redistribution of funding towards the shires and away from the big cities. And of course, we have no idea who will be running the country by next February when we will debate and set our budget for 2020/21.

Austerity and Deprivation

The country has now suffered for over nine years from the imposition of the austerity policy of successive governments. Public services in Cambridge have been cut year after year, while at the same time letting market forces dictate rising costs. Failing to regulate markets, such as in energy and private rented housing, has brought great hardship to many, including by forcing public sector workers to accept far lower wages, and especially when coupled with cuts in welfare benefits.

National evidence suggests this has hit lower income households far more than those on higher incomes, and the gap in wealth between rich and poor has widened significantly. Unfortunately, Cambridge is known as having one of the greatest inequalities of any city in the whole country. Parts of our city include people of great wealth while nearby there are pockets of people in poverty and severe deprivation, and we are determined that those people will continue to be a core target for delivery of council services. The poorest in our city need direct assistance and support via community organisations we grant-fund and our extra housing investment. Everyone in Cambridge deserves the opportunity to share in the city's growing prosperity.

Funding by the Government

The September budget claims from the Government of extra billions for councils are not backed for us by the reality, with near nil benefit or extra funds for Cambridge City Council's residents. Although £1bn extra will be provided for social care - which is sorely needed by authorities like our county council who provide those services - the expectation is that it will be Council Tax payers who will be asked to contribute a further £500m for this work through a further Adult Care Precept of 2%. Once again, the Government is relying on regressive types of taxation, in this case Council Tax which every household has to pay, rather than progressive taxes such as income tax and corporation tax where those who earn more pay more.

Only £300m is to be made available to increase baseline funding of local authorities and Cambridge City Council does not expect to receive a penny of this as we have already had our grant cut to zero. It is possible we may get a small increase in funding for work to combat rough sleeping and homelessness, but as only £54m is to be added for this work across the entire country we do not expect to get very much.
Unfortunately, it appears that the austerity agenda is still in place despite Government claims that it is not.

Strategy

This is the context within which we will develop our financial plans. A context in which we can expect limited funding to be provided by the Government, so that developing other income streams will become even more important than it has been over the past few years.

This MTFS identifies the pressures we face in the years ahead. It will enable us to: plan funding important new services and initiatives, finding savings, and increasing income streams invest for the support into the future of services we provide, to protect and enhance the environment of Cambridge, to help the economic development of our city, and to assist in moving it towards a net zero carbon position.

The MTFS will also be used to help draw together the Budget Setting Report for 2020/21 which will be published in January. It embraces the core financial objectives of this Council: sound and prudent financial management, the minimisation of the need for cuts to services, investment for the future, and a fairer and more equal city. A city we are so proud to serve.

Cllr Lewis Herbert - Leader of the Council

Cllr Richard Robertson – Executive Councillor for Finance and Resources

Section 1
Introduction

Background

The MTFS for the General Fund (GF) is part of the forecasting and budget setting process which leads to the Budget Setting Report (BSR) being presented to Council in February each year when the Council Tax level for the following financial year is set.

The MTFS sets out the council's financial strategy over the medium-term based on a range of assumptions and forecasts. This document takes the council's existing financial strategy and, if necessary, amends the key assumptions on which it is based. The previous year's 'direction of travel', as set out in the BSR, is revised in the light of factors such as national and local policy changes, current and forecast economic indicators and new legislation.

A key part of the MTFS process is the identification of:

- Items which require immediate action or approval
- Items which provide context for decisions on the strategy or budget process:
    - The level of spending reductions required, if any
    - Resources to be made available for funding the capital plan
    - The level of GF general reserves

The GF MTFS incorporates a review of the current year's budget position and updated projections for five years. However, we have extended the period of the projections underlying this document to ten years (from 2020/21 to 2029/30) to provide a longer-term view to allow planning in response to increasing pressures on local government finance. The later years of the projection are not presented, primarily due to the wide range of possible outcomes and the considerable levels of uncertainty in those years. The projections demonstrate the effects of changes in assumptions made and their impact in terms of savings requirements.

The current funding climate is arguably more uncertain now than it was a year ago when the National Audit Office concluded that 'The financial uncertainty created by delayed reforms to the local government financial system risks longer-term value for money'. A recent (May 2019) briefing note prepared by the Institute for Fiscal Studies, 'English council funding: what's happened and what's next?' ends by posing some fundamental questions about what the country needs local councils to deliver and how they should be funded. That these wider questions can be asked at all illustrates unprecedented levels uncertainty and insecurity with regard to future funding that underlies this MTFS.

We need to decide what we want from local government

This note has highlighted big choices about the level and sources of funding, and big questions about how to balance a desire for the funding system to provide incentives for growth, with a desire to ensure service standards do not vary too significantly across the country.

These are not questions, with only one right answer. Opinions can and do differ – both at Westminster and within local government. But the issues at stake are so significant that we cannot keep muddling along.

Take funding levels. Are we willing to raise the additional revenues needed to meet rising costs and demands – let alone improve service provision – over the coming decades? Or are we willing to lower our expectations of what councils can provide, in order to keep taxes down?

A proper national debate is needed on this, which has so far been lacking. Without it, we will default to a situation where the services councils provide are gradually eroded without any explicit decision being taken – until ad hoc funding is found as a response to political pressure. Such an approach would not be conducive to long-term planning by either central government or councils.

How should additional funding be raised and distributed between councils? Raising it via national taxes and then allocating according to need would likely result in service provision being more comparable across councils. And it would be administratively simpler than devolving further tax revenues and powers. But raising revenues locally and letting councils bear more of the change in local revenues would allow different councils to make different decisions on tax and spending levels and give them stronger incentives to grow local tax bases.

So are we willing to accept greater differences in services between different areas in exchange for greater local control? Or should redistribution, ring-fenced funding and common standards be a central feature of the funding system?

Again, a proper debate is needed. Without it, the risk is that we continue with reforms to the funding system that reduce the role of redistribution in order to provide stronger financial incentives for growth, while trying to regulate for common standards in the context of a funding system that is not set up to deliver them.

English council funding: what's happened and what's next? IFS Briefing Note May 2019

Context and approach

The council has carried out a budget consultation exercise annually since 2002, using a variety of quantitative and qualitative methods.

In October 2019 the council will host events for local businesses and community representatives. The Leader will set out the vision and priorities for the Council within the context of the challenges we are facing. Subsequent questions, comments and discussions will be used to inform members of the nature of the debate and the feelings of the audience, so that these considerations can be taken into account as the council's budget is developed.

There is still a statutory requirement to consult local businesses on the council's financial expenditure. The nature of this consultation is not specified in the legislation and the current Leader's briefings with business representatives satisfy this requirement. There is also a requirement to consult under Section 3 of the Local Government Act 1999 (Best Value), which relates to fulfilling the duty of providing best practice. This has generally been interpreted as a requirement to consult with local people when there is a substantial change to local services, both those affected directly and non-directly.

Timetable

Key dates and decision points are set out below.

Date	Task
2019	
7 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
17 October	Council considers both GF and HRA MTFS reports
2020	
2 January	Budget Setting Report (BSR) published
3 February	BSR and any budget amendment proposal considered by Strategy & Resources Scrutiny Committee
3 February	The Executive consider and recommend the BSR and Council Tax level to Council
13 February	Council approves Budget Setting Report and sets the level of Council Tax for 2020/21

Section 2
Policy context, priorities and external factors

Local policy context and priorities

Corporate Plan

The council's Corporate Plan was approved in February 2019 at the same time as the budget for 2019/20. It sets out the aims and objectives of the council and how these will be achieved. The Leader's Foreword to this MTFS supplements the Corporate Plan by setting a direction of travel for the council which responds to the future financial outlook.

Partnership working

The council works in partnership with a range of other bodies to bring additional benefits to the people who live, work and study in our area, especially through pooling of resources and skills to achieve a common aim.

The Greater Cambridge Partnership

The City Council is working with Cambridgeshire County Council, South Cambridgeshire District Council, the University of Cambridge and the Cambridgeshire and Peterborough Combined Authority – Business Board (formerly the Greater Cambridge Greater Peterborough Local Enterprise Partnership) to deliver infrastructure, housing and skills targets as agreed with Government in the Greater Cambridge City Deal. The deal consists of a grant of up to £500m, to be released over a 15 to 20 year period, expected to be matched by up to another £500m from local sources, including through the proceeds of growth.

The City Deal will help Greater Cambridge to maintain and grow its status as a prosperous economic area. The Partnership is working to:

- Accelerate the delivery of 33,500 planned homes
- Enable delivery of 1,000 extra affordable new homes on rural exception sites
- Deliver over 420 new Apprenticeships for young people

- Provide £1bn of local and national public sector investment, enabling an estimated
- £4bn of private sector investment in the Greater Cambridge area
- Create 44,000 new jobs
- Provide a governance arrangement for joint decision making between local councils

The Partnership is currently developing proposals for transport improvements to enable people, goods and ideas to move more quickly, reliably and sustainably between centres of research, innovation and enterprise, and between places of residence, work and study.

One aspect of this is likely to be proposals to tackle congestion, and this may require ways of managing the number of vehicles on the most congested routes at the most congested times of the day. Whatever proposals are ultimately implemented may have impacts on City Council services, including potentially budgetary implications. The service and financial impact of such measures will be factored into the council's financial planning in more detail as the impacts become clearer.

The Partnership is also supporting delivery of a skills system that equips more young, local people with the skills they need to engage in the knowledge-based industries that comprise the Cambridge Cluster.

The Partnership is also bringing together public, private and academic experts to develop and exploit "smart city" technologies to help identify and address the challenges that Greater Cambridge faces.

The council, with the other local authority partners, have agreed to create an investment and delivery fund from a proportion of New Homes Bonus (NHB). As a result of this, the BSR considers the application of funds from NHB, earmarking part of future uncommitted funding in line with the expected levels of contribution to the fund.

Cambridgeshire and Peterborough Combined Authority

In November 2016, eight organisations[1] in Cambridgeshire, including Cambridge City Council, agreed a devolution deal with the government to form the Cambridgeshire and Peterborough Combined Authority (CPCA). The deal gives delegated powers to the Combined Authority and a new elected Mayor and brings funding to the region. Following elections on 5 May 2017, James Palmer

[1] Cambridge City Council; Cambridgeshire County Council; East Cambridgeshire District Council; Fenland District Council; Huntingdonshire District Council; Peterborough City Council; South Cambridgeshire District Council; Greater Cambridge Greater Peterborough Local Enterprise Partnership

was elected as Mayor for the Combined Authority. Councillor Lewis Herbert represents the council on the CPCA.

The CPCA will receive funding and powers from Central Government in a number of areas including:

- £100 million to deliver new homes over a five-year period in Peterborough and Cambridgeshire which includes affordable, rented and shared ownership housing, plus £70m for Cambridge City Council to deliver at least 500 new council homes.
- £20 million a year funding over 30 years to support infrastructure and boost economic growth in the region

The key ambitions for the CA include:

- doubling the size of the local economy
- accelerating house building rates
- improving transport and digital infrastructure.

It has been agreed that the Combined Authority costs will be funded from the gain share grant and therefore there will be no charge to the City Council for this. The Mayor has the power to raise a precept (i.e. a separate additional element of council tax to fund the running costs of the Mayoral office).

The Combined Authority (but not the Mayor) can levy constituent councils to make a contribution towards its functions but this would need to be unanimously agreed by those authorities through the budget making process for the CPCA. Each Council could also decide voluntarily to make a financial contribution to the CPCA.

The city's economy should benefit from the additional investment and improved infrastructure in the local area that the CPCA brings. The delivery of the £70m council building programme will bring an income stream to the Housing Revenue account as those houses come on stream.

Shared services

The council shares some services with neighbouring councils. Benefits include improvements in service delivery, efficiencies and greater resilience. True savings arising from shared working will not be realised until all back office and support functions have been reduced to the same proportionate level as prior to a service being shared.

The following services are delivered in two or three way partnerships with South Cambridgeshire District Council (SCDC) and Huntingdonshire District Council (HDC):

With SCDC and HDC:

- 3C Building Control
- 3C ICT
- 3C Legal
- Home Improvement Agency

With SCDC:

- Greater Cambridge Shared Waste Service
- Greater Cambridge Shared Internal Audit
- Greater Cambridge Shared Planning
- Payroll

With HDC:

- CCTV

External factors

The European Union (EU)

There is still a considerable amount of uncertainty as to the effect of the United Kingdom (UK) leaving the EU with regard to interest rates, inflation and business investment combined with associated business rates generation and retention. The leaving date is currently expected to be 31 October 2019 but the conditions of that exit, with or without a deal, are unclear. Additionally, there is a possibility that timescales may be extended.

Inflation rates

Inflation used to drive expenditure assumptions in the GF financial planning has been based on the Bank of England and Office of Budget Responsibility (OBR) forecasts for the Consumer Price Index (CPI). The percentage currently applied in the MTFS, based on the Bank of England's August 2019 forecast is 1.8% in 2020/21, increasing to 2.1% in 2021/22, 2.3% in 2022/23 and 2.4% thereafter. Previously the base level of inflation included within forecasts was 2.2% in 2019/20 reducing to 2.0% in 2021/22 and thereafter, reflecting the Government target for CPI. This represents a change in the expected trajectory for interest rates and an expectation that in the longer term, CPI will settle above the 2.0% target level. Inflation rates will be reviewed again for the BSR in February 2020 and if changes in forecasts are significant, adjustments will be made at that point.

Interest rates on deposits

The council lends its cash balances externally on a short-term basis, with a view to generating a return that can be spent on delivering council services whilst managing both security and liquidity of the cash. Members of the Bank of England Monetary Policy Committee (MPC) unanimously increased the bank rate to 0.75% (previously 0.50%) on 1st August 2018 and it has remained at the level since then.

Rates available to investors continue to be exceptionally low. However, through the use of a variety of investments as permitted by our investment strategy, we are maintaining average rates of return around 1.3%. Based on this performance, we have maintained our assumption of 1.3% return, as noted in Section 3. This assumption will be reviewed during budget-setting, as rates are currently volatile with considerable downward pressure.

The council's HRA is entitled to a proportion of interest earned on revenue and capital cash balances invested by the authority. This share was based upon the HRA receiving interest from the GF at the average interest rate earned by the authority across all of its investments. However, the authority has a range of investments with varying levels of risk and associated interest rates. As the GF effectively indemnifies the HRA against downside risk on the value of investments, i.e. it is bearing the risk associated with achieving higher rates, it should benefit from the interest earned at these rates. Therefore, estimates of interest to be paid to the HRA in this MTFS have been based on 0.80%, the current rate earned on term deposit accounts, which have minimal valuation risk.

Interest rates on external borrowing

The council has no GF borrowing. However, the council uses its cash balances to fund capital spending and to lend to the Cambridge City Housing Company (CCHC) and the Cambridge Investment Partnership (CIP). The council has a substantial interest in both these organisations, which provide financial returns to the council and enable the delivery of policy priorities. Use of cash balances in this way is known as 'internal borrowing' and may indicate a need to borrow externally in due course. The council keeps this situation under regular review and seeks advice from its treasury advisors (Link Asset Services) in this regard.

The council is currently exploring options for the redevelopment of the multi-storey car park on Park Street. These may include external borrowing or leasing arrangements that will put finance lease liabilities, i.e. a form of borrowing, on the council's balance sheet. Accounting standards require these liabilities to be assessed at the council's underlying cost of borrowing, which is likely to be the rate at which the council could borrow from the Public Works Loan Board (PWLB) for a period equal to the duration of the lease. At this stage, the costs of any borrowing are expected to be funded from within the redevelopment scheme.

National policy context

Government spending announcements

The Chancellor's Spring 2019 Statement confirmed that the Government would hold a Spending Review to be concluded alongside the 2019 Autumn Budget (SR19). At that point, the downward pressure on debt interest payments and better than expected performance on tax receipts had provided a 'modest medium-term improvement in public finances. Since then, Brexit has been delayed from 29 March to 31 October and the Prime Minister and Cabinet have changed. Many spending pledges have been made with little information available to date on how they are to be financed.

The uncertainty created by these changes has led to a marked reduction in the value of Sterling against both the Euro and the US Dollar, making financial prediction fraught with difficulty. Various recent policy announcements from Government have provided some indication of the direction for local government funding, but only on a short-term basis.

Local government finance

2020/21 and future years

The government and the local government sector have undertaken considerable work on distribution mechanisms for local government funding including the Fair Funding Review (FFR), consideration of increasing the Business Rates Retention share to 75% and a Business Rates baseline reset. Alongside these, a spending review addressing the quantum of local government funding would enable resetting of the system and provide greater financial certainty for councils and allow them to make financial plans with greater confidence. The working assumption to this point has been that all these elements would be implemented together in 2020/21, as it would be difficult to make decisions on the distribution of funding if the quantum is not known. Additionally, without a funding envelope, damping or other transitional arrangements on the introduction of a new distributional formula would be difficult to design.

However, continued political uncertainty has increased the likelihood that a three-year spending review will not be achievable and that other reforms to the local government system may also be delayed for political and timetabling reasons. Therefore, a single year settlement for 2020/21, based on 2019/20 allocations and underpinned by a one-year spending review is considered likely. The implementation of the FFR and reforms to the Business Rates Retention Scheme (BRRS) would similarly be delayed for a year.

During the drafting of this report, a single-year spending round was announced and delivered on 4 September 2019. This confirmed that reforms to the local government funding systems referred to above will be implemented for 2021/22.

The base assumptions in this MTFS, broadly confirmed by the spending review, are:

- In 2020/21 the council will get the same Settlement Funding Assessment (SFA) in cash terms as it received in 2019/20
- Baseline Funding Levels (BFL) will be indexed in line with the Business Rates multiplier, which will increase at 2.00% p.a.
- 'Negative Revenue Support Grant' will continue to be fully funded

There is considerable uncertainty relating to the SFA for 2021/22 and beyond. The impacts of the government's Fair Funding Review and implementation of 75% business rates retention are also unknown at this time. Therefore, this MTFS uses a funding trajectory derived from a model provided by the council's advisers to provide a view of possible future funding levels, as shown in the table below.

The locally retained business rates growth element has been increased in line with growth now achieved. For a number of years, increases in the rating list from new developments have been balanced by premises removed from the list due to regeneration schemes. This no longer appears to be the case. It should be noted that implementation of business rates reform is likely to involve a baseline reset, removing growth and resetting the baseline in line with the outcomes of the FFR.

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Revenue Support Grant (RSG)	-	-	-	-	-
Business rates baseline	4,203	4,287	4,373	4,462	4,552
Total SFA - per 2019/20 finance settlement and as modelled	**4,203**	**4,287**	**4,373**	**4,462**	**4,552**
Locally retained business rates – growth element	**800**	**1,100**	**1,100**	**1,100**	**1,100**

In line with the growth identified above, work on the council's Collection Fund at year end has shown that there are surplus balances that will become available to the council in the current and following years. Subject to audit confirmation, business rate funds of £1.3m are available within 2019/20, with a further £1.6m estimated for 2020/21. Beyond this, changes to the business rates scheme make future amounts too uncertain to quantify. Due to current high levels of uncertainty and financial risk, it is proposed to add these balances into GF reserves. They will then be available, subject to business case and normal budget bidding process, to support the transformation of council services and as possible funding to address any impacts of a no-deal Brexit.

New Homes Bonus

The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. The eligible amount, calculated from housing growth in the year, was then paid each year for a period of 6 years. In December 2016 the scheme was changed so that payments were reduced from 6 to 5 years in 2017/18 and to 4 years from 2018/19 together with the introduction of a national baseline for housing growth of 0.4% of council tax base from 2017/18, below which the Bonus is not paid.

The government has retained the right to adjust the baseline, principally to remain within spending limits each year. Any changes intended for the baseline in 2020/21 will be detailed at the time of the provisional settlement.

2019/20 was the final year of funding agreed through the Spending Review 2015. The next three or four-year spending review was expected in autumn 2019, alongside the Fair Funding Review and a review of business rates retention. However, only a one-year spending round was delivered, and the outcomes of the other reviews have been delayed until next year. Government has indicated that it will review how to incentivise housing growth most effectively alongside these reviews. It is therefore highly likely that NHB will be replaced at that point, although the underlying funding is expected to be redistributed within the local government sector in some way. Government has committed to consult widely on any changes prior to enactment. As the impact of these changes cannot be foreseen, this MTFS continues to include the consideration of NHB funding and how it will be used, based on assumptions of future growth and a 0.4% baseline.

NHB is currently used to fund both revenue and capital spending related principally to growth and place. Along with partners, the Council has committed 30% of NHB funding each year to a GCP Investment and Delivery Fund. However, the council's revenue and capital take priority over the contribution to the GCP Investment and Delivery Fund. As this funding stream is expected to undergo significant change in the next two or three years, estimated surpluses will be left uncommitted until amounts are confirmed. NHB receipt estimates are shown below, along with current commitments.

Description / (£000)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Confirmed NHB funding at February 2019 BSR	**(5,505)**	**(4,144)**	**(2,983)**	**(1,496)**		
Add						
Estimated NHB receipts for 2020/21		(1,316)	(1,316)	(1,316)	(1,316)	
Estimated NHB receipts for 2021/22			(1,379)	(1,379)	(1,379)	(1,379)
Estimated NHB receipts for 2022/23				(1,445)	(1,445)	(1,445)
Estimated NHB receipts for 2023/24					(1,515)	(1,515)
Estimated NHB receipts for 2024/25						(1,588)
Potential New Homes Bonus Total	**(5,505)**	**(5,460)**	**(5,679)**	**(5,637)**	**(5,656)**	**(5,927)**
Commitments against NHB						
Funding for officers supporting growth e.g. within planning	785	785	785	785	785	785
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564	564
Direct revenue funding of capital (DRF)	1,075	1,075	1,075	1,075	1,075	1,075
Contribution to GCP @30%	1,652	1,638	1,704	1,691	1,697	1,778
DRF to reduce internal borrowing NCL4329	1,429					
Total commitments against NHB	**5,505**	**4,062**	**4,128**	**4,115**	**4,121**	**4,202**
NHB (uncommitted) / overcommitted	**0**	**(1,398)**	**(1,551)**	**(1,522)**	**(1,535)**	**(1,725)**

As the future of this funding stream is in doubt, the table below presents a scenario in which currently confirmed amounts are maintained over their expected four-year duration, but no additional amounts are added to these totals. When compared with the table above, this give an indication of the amount of funding that could be lost.

Description / (£000)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Confirmed NHB funding at February 2019 BSR	**(5,505)**	**(4,144)**	**(2,983)**	**(1,496)**		
Commitments against NHB						
Funding for officers supporting growth e.g. within planning	785	785	785	785	785	785
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564	564
Direct revenue funding of capital (DRF)	1,075	1,075	1,075	1,075	1,075	1,075
Contribution to GCP @30%, limited to available funding 2021/22 onwards	1,652	1,243	559	0	0	0
DRF to reduce internal borrowing NCL4329	1,429					
Savings or alternative funding required				(928)	(2,424)	(2,424)
Total commitments against NHB	**5,505**	**3,667**	**2,983**	**1,496**	**0**	**0**
NHB (uncommitted) / overcommitted	**0**	**(477)**	**0**	**0**	**0**	**0**

Council tax

Council tax income in this MTFS is modelled based on a 1.99% increase per property for a band D property. This reflects an announcement within the Spending Round 2020/21 that the referendum limit for council tax increases will be reduced from 3.0% to 2.0%. In previous years, district councils were permitted to increase band D council tax rates by 2.0% or £5, which ever was greater, however, no mention was made of this alternative, so at this point it has been disregarded.

Section 3
Review of key assumptions

Budget forecasts presented in the February 2019 BSR were based on a number of key assumptions, for example levels of general and pay inflation, interest rates, future funding requirements and council tax levels.

These key assumptions have been reviewed taking account of changes in external factors, government announcements, latest forecasts and circumstances. The table below sets out where assumptions have been retained and where changes have been made **(shown in bold)** for the purposes of forecasts presented in this document.

Forecast assumptions for future government grant funding and the prudent minimum balance and target level of the GF Reserve are included in more detail in sections 2 and 7 of this report respectively.

Key area	Assumption	Comment / Sensitivity
Pay Inflation	Pay progression cost estimate plus: **2020/21 - 2.5%** (previously 2.0%) and 2.0% thereafter (no change)	Negotiation of 2020/21 pay awards currently underway.
Employee turnover	4%	In general, employee budgets assume an employee turnover saving of 4.0% of gross pay budget. Specific vacancy factors are applied where experience indicates that a different vacancy factor is more applicable.

Key area	Assumption	Comment / Sensitivity
General inflation (OBR/BoE)	**2020/21 – 1.8%** **2021/22 - 2.1%** **2022/23 – 2.3%** **23/24 and after – 2/4%** (previously 2.2%, 2.1%, 2.0%)	Provisions have been updated in accordance with the Bank of England's latest forecasts. Updated central provisions have been made as appropriate for fuel, electricity and gas based on current knowledge of these markets or revised contractual commitments. The same inflation factors are applied to Central and Support Services as for direct services.
Major contracts	Inflation per contract	Major contracts and agreements, in term, are rolled forward based on the specified indices in the contract or agreement
Income and charges	2.0%	Income and charges – general assumption of 2.0% ongoing, but specific reviews of all charges required by committees. Property rental income based on detailed projections and rent reviews.
Investment interest rate assumption	2020/21 and thereafter 1.30%	Based on current projections
Capital funding contributions	£1.880m	Capital funding contributions at base level of £1.880m per annum with feasibility budget of £94,000, or 5% of that amount. £1.075m is funded from New Homes Bonus so is contingent on the continuity and level of that funding stream
Council Tax increase	**2020/21 onwards 1.99%**	Decreased from 2.99% increase previously assumed, in line with the Spending Round announcement. A 1% change in council tax represents about £90k p.a. for the council
Government grant (SFA)	**For 2020/21, the SFA is assumed to be the same in cash terms as the 2019/20 SFA.**	Government funding beyond 2019/20 has not yet been announced. The expectation is that the implementation of the Fair Funding Review and changes to the Business Rates Retention Scheme will now be delayed until 2021/22. Therefore funding has been assumed at current rates,

Section 4
Review of budgets and savings targets

2018/19 outturn

A favourable variance of £371k *(2017/18: £642k)* after approved carry forward requests of £923k *(2017/18: £1,330k)* was recorded on net service spending in the GF for 2018/19. After variances on government funding, statutory capital accounting adjustments, contributions to/ from earmarked reserves and the application of direct revenue funding for capital have been taken into account, the overall net effect was an increase in the GF reserve of £2,034k *(2017/18: £2,031k decrease)*.

Efforts to control the variance on total staffing costs through the use of a 4% vacancy factor were successful, with a small favourable variance of £165k (0.6% of budget) recorded. In general, the outturn on income was less satisfactory, with variations above and below budget. Income from commercial rents and licensing showed significant upside, with income from bereavement services, community centres and parking falling short of expectations. Other variances were generally small, full details are shown in the outturn overview report to Strategy & Resources scrutiny committee.

2019/20 budgets

Departmental budgets are regularly monitored and reported to the Senior Management Team and the Executive to ensure that the Council and its services spend only what is necessary to deliver its aims and objectives. Where variances are identified, either positive or negative, investigations are undertaken to ensure that there is a reasonable justification and whether the variance has a short or long-term impact.

In-year revenue proposals

There are no revenue proposals for 2019/20.

Head of Service Engagement

In 2018, Heads of Service were asked to review their medium-term budget pressures and savings opportunities for the ten-year period to 2028/29, to provide a basis for longer term financial planning. These forecasts have been updated and form the basis for detailed planning, particularly for capital expenditure.

As significant savings targets for 2020/21 and future years were identified in BSR 2019, a two-pronged approach has been followed. Firstly, a number of service reviews and savings opportunities have been identified for further work. The results of this work will be brought back for consideration within the budget setting processes for 2020/21 and 2021/22 as appropriate. Alongside this, Heads of Service have been asked to begin the development of budget proposals earlier than before and to develop business cases and detailed proposal documents to allow more thorough consideration and challenge.

Figures modelled in this MTFS contain an estimate of unavoidable revenue pressures and reduced income based on a five-year average. This provides a realistic set of savings targets based on inflated base budgets and estimated funding streams, against which all discretionary budget proposals can be prioritised.

Savings requirements

Applying these changes to budget assumptions and indicative pressures gives an indication of the minimum net savings requirements by year for the next 5 years, assuming that savings are delivered in the year that the requirement is identified. In previous years, the net savings requirement has been adjusted using GF reserves to create a consistent profile across the period. However, the adjustment has not been made in this MTFS for the following reasons:-

- the financial modelling includes indicative unavoidable pressures, which may or may not crystallise into budget proposals, so any adjustment of the savings profile could be misleading

- significant uncertainty in relation to funding from government (settlement funding assessment) would similarly impact the saving profile;

Following these changes, the net savings requirements considering unavoidable indicative pressures and reduced income total around £6.9m for the 5-year period, or £1.38m per year.

Description	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Net savings requirement (BSR Feb 2019)	**635**	**635**	**635**	**635**	**598**	**3,138**
Net impact of funding changes, inflation and indicative pressures / reductions in income	345	720	785	895	1,022	3,767
Revised (MTFS) net savings requirement	**980**	**1,355**	**1,420**	**1,530**	**1,620**	**6,905**

The level of net savings requirement identified by this MTFS provides a baseline for detailed budget setting work, with some allowance for unavoidable calls on limited resources. Any additional spending pressures that emerge through the BSR process will increase savings requirements accordingly, whilst reductions in overall spending pressures and increases in income will reduce the savings required.

Use of reserves to support savings requirements

The council's GF reserve balance is above the target levels required (See section 7). This excess could be used to smooth or delay the need to make savings. However, reserves can only be used once, whereas savings, once made, have to recur year on year, i.e. use of reserves cannot permanently reduce the need to make savings.

Section 5
General Fund – Expenditure and funding

The following projection of GF expenditure and funding results from applying the recommendations included in this report: -

Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Expenditure						
Net service budgets - base and inflation	19,725	21,227	22,796	23,818	24,902	26,069
Allowance for unavoidable revenue pressures and reduced income	0	1,000	1,836	2,705	3,608	4,545
Savings delivered from prior years	0	0	(980)	(2,335)	(3,755)	(5,285)
Net service budgets	**19,725**	**22,227**	**23,652**	**24,188**	**24,755**	**25,329**
Capital accounting adjustments	(6,353)	(6,353)	(6,353)	(6,353)	(6,354)	(6,354)
Capital expenditure financed from revenue	2,966	1,979	1,786	1,786	1,786	1,786
Contributions to earmarked funds	3,058	2,888	2,666	2,591	2,597	2,619
Net spending requirement before in year savings	**19,396**	**20,741**	**21,751**	**22,212**	**22,784**	**23,380**
In year savings (required) / delivered	0	(980)	(1,355)	(1,420)	(1,530)	(1,620)
Net spending requirement	**19,396**	**19,761**	**20,396**	**20,792**	**21,254**	**21,760**
Funded by:						
Settlement Funding Assessment (SFA)	(4,179)	(4,287)	(4,373)	(4,461)	(4,549)	(4,641)
Locally Retained Business Rates – Growth Element	(800)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)
Other grants from central government	(1,300)	(1,600)	0	0	0	0
New Homes Bonus (NHB)	(5,504)	(5,460)	(5,678)	(5,636)	(5,656)	(5,728)
Appropriations from earmarked funds	0	0	0	0	0	0
Council Tax	(8,627)	(8,914)	(9,245)	(9,595)	(9,949)	(10,291)
Contributions to / (from)reserves	1,014	1,600	0	0	0	0
Total funding	**(19,396)**	**(19,761)**	**(20,396)**	**(20,792)**	**(21,254)**	**(21,760)**

Section 6
Capital plan

Capital Strategy

The council publishes a capital strategy that outlines the principles and framework that shape the council's capital investment proposals. The principal aim is to deliver an affordable programme of capital investment consistent with the council's financial strategy and that contributes to the achievement of the council's priorities and objectives as set out in the corporate plan. The strategy defines at the highest level how the capital programme is to be formulated and designed; it identifies the issues and options that influence capital spending and sets out how the resources and capital programme will be managed.

As well as detailing the approved capital investment programme over the forthcoming five years, the document also sets out the Councils ambitions over the medium to longer term.

The Strategy incorporates:

- A direct relationship to the Corporate Plan
- A framework for the review and management of existing and future assets
- An investment programme expressed over the medium-term
- A document that indicates the opportunities for partnership working
- A framework that prioritises the use of capital resources
- A consideration of the need to pursue external financing (grants, contributions etc.)
- A direct relationship with the Treasury Management Strategy

An updated capital strategy will be published in February 2020 alongside the Treasury Management Strategy Statement and the Budget Setting Report 2020/21.

Approved capital plan

The capital plan was approved by council in February 2019. Since then the plan has been updated for projects carried forward or rephased from 2018/19 and for new projects totalling £487k, either S106 funded or specifically approved.

Approved since BSR / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Approved at BSR Feb 2019:							
Programmes	682	200	30	30	-	-	942
Projects	20,363	13,975	1,927	-	-	-	36,265
Sub-total	**21,045**	**14,175**	**1,957**	**30**	**-**	**-**	**37,207**
Provisions	96	816	61	-	-	-	973
Total	**21,141**	**14,991**	**2,018**	**30**	**-**	**-**	**38,180**
Changes approved and adjustments made in year:							
Programmes	7,396	-	-	-	-	-	7,396
Projects	7,745	-	-	-	-	-	7,745
Sub-total	**15,141**	**-**	**-**	**-**	**-**	**-**	**15,141**
Provisions	3,520	-	(1)	-	-	-	3,519
Total	**18,661**	**-**	**(1)**	**-**	**-**	**-**	**18,660**
Current approved plan:							
Programmes	8,078	200	30	30	-	-	8,338
Projects	28,108	13,975	1,927	-	-	-	44,010
Sub-total	**36,186**	**14,175**	**1,957**	**30**	**-**	**-**	**52,348**
Provisions	3,616	816	60	-	-	-	4,492
Total	**39,802**	**14,991**	**2,017**	**30**	**-**	**-**	**56,840**

Mid-year capital spending proposals

The tables below list projects that have been approved exceptionally since BSR 2019 and proposals that have been endorsed by the Quality Assurance Group and the Business Transformation Board. The latter are now put forward for funding approval.

Ref.	Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Approved since BSR Feb 2019:							
SC698	Waterbeach solar panels (project completed in 2018/19)	18	-	-	-	-	-	18
PR052	RE:FIT 3 Energy performance improvement	294	-	-	-	-	-	294
PR038	Investment in commercial property portfolio	4,083	-					4,083
SC697	Grant for St John's church improvement (S106)	100	-	-	-	-	-	100
SC703	King's Parade – temporary barriers	35	-	-	-	-	-	35
	Total Approved since BSR Feb 2019	**4,530**	**-**	**-**	**-**	**-**	**-**	**4,530**

Ref.	Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Proposals							**-**
SC646	Redevelopment of Cambridge Junction	250	-	-	-	-	-	250
SC658	CCTV infrastructure – additional cost	75	-	-	-	-	-	75
SC691	HR and payroll – new system	20	150	-	-	-	-	170
SC699	Corn Exchange fire doors	37	-	-	-	-		37
SC672	Mill Road redevelopment – development loan to CIP	-	1,142	-	-	-	-	1,142
SC695	Cromwell Road redevelopment – equity contribution	-	329	333	-	-	-	662
SC696	Cromwell Road redevelopment – development loan to CIP	2,376	5,481	1,000	-	-	-	8,857
SC701	Dales Brewery – replacement fire alarm system	24	-	-	-	-	-	24
	Total Proposals	**2,782**	**7,102**	**1,333**	**-**	**-**	**-**	**11,217**

Proposals

Redevelopment of Cambridge Junction (£250k): Following the successful completion of the feasibility stage, funds are now required to complete a site wide masterplan for the Cambridge Junction redevelopment scheme to RIBA stage 2 in order to be able to submit an application for capital funding to Arts Council England by April 2020. In this phase of the scheme the costs will cover detailed design work which will map the expansion of the performance venue areas to address existing and growth gaps in arts and cultural space provision identified within initial reports, and also could include eight floors of flexible office and studio space above the existing venue. The project will be delivered in phased development to manage the risk of securing further funding.

CCTV infrastructure – additional cost (£75k): This proposal is for additional funding to enable the project to be completed this year. The supplementary capital bid is expected to pay for the extended scope of the CCTV replacement project to incorporate unforeseen changes to the capital works, and costs that are outside of the contract, such as power supplies, changes to the location of the network cabling as well as further works on the Grand Arcade rooftop, all of which are required in order to complete the installation of the CCTV system.

HR and payroll new system (£170k): The capital bid is for the procurement and implementation of a modern and fully integrated cloud-based Human Resources Information System (HRIS). The solution, jointly procured and implemented with South Cambridgeshire District Council and Huntingdonshire District Council, will deliver HR and payroll core transactions over the next 10 years. The system will create efficiency, reduce cost and improve the way HR can support managers and staff across the three authorities. The costs include data migration into the new system, re-engineering of the current processes and go-live support. The scheme is planned to be delivered within 2 years.

Corn Exchange fire doors (£37k): The council provides cultural services at the Cambridge Corn Exchange. A recent Fire Safety report has identified an urgent need to replace the internal fire doors in order to comply with the fire regulations. The cost will be covered by the service maintenance budget, with no call on generally available capital funding.

Mill Road and Cromwell Road redevelopment funding (£10,661k in total): As previously reported, these developments are being delivered by CIP and will generate capital receipts and surpluses for the council on completion. The council is providing equity and development loans to CIP, earning 5% p.a. on these loans. As these schemes progress, revised cost estimates and cash flow profiles become available. This proposal increases the loan amounts to reflect the most recent projections.

Dales Brewery – replacement fire alarm system (£24k): The current system is ineffective and therefore needs to be replaced. The cost will be covered by the service maintenance budget, with no call on generally available capital funding.

If all the above proposals are accepted, the effect of these schemes, along with schemes already approved in year on the level of unapplied capital funding available is shown in the following table.

Approved since BSR including proposals / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
BSR Feb 2019: Funding available from revenue and unapplied	**(293)**	**(1,543)**	**(1,738)**	**(1,756)**	**(1,786)**	**(1,786)**	**(8,902)**
Changes approved and adjustments made in year:							
Spend:							
Approved (net of funding reassigned to these projects)	4,482	-	-	-	-	-	4,482
Proposed	2,782	7,102	1,333	-	-	-	11,217
	7,264	**7,102**	**1,333**	**0**	**0**	**0**	**15,699**
Funding:							
S106	(100)	-	-	-	-	-	(100)
Direct revenue funding (DRF)	(293)	(150)	-	-	-	-	(443)
Capital receipts	(4,083)	-	-	-	-	-	(4,083)
Climate change fund	(235)	-	-	-	-	-	(235)
Existing revenue budgets	(90)	-	-	-	-	-	(90)
Internal borrowing	(2,376)	(6,952)	(1,333)	-	-	-	(10,661)
Balance to be funded from reserves - underspend on completed schemes in 2018/19	(87)	-	-	-	-	-	(87)
	(7,264)	**(7,102)**	**(1,333)**	**0**	**0**	**0**	**(15,699)**
Revised capital funding availability	**-**	**(1,393)**	**(1,738)**	**(1,756)**	**(1,786)**	**(1,786)**	**(8,459)**
Memo: 5% top-slice of DRF – revenue feasibility budget	**94**	**94**	**94**	**94**	**94**	**94**	**564**

Funding has been identified for the majority of schemes proposed, as shown above. However, if all the proposed schemes are approved, additional funding will be required in 2019/20. This could be made available from GF reserves, as miscellaneous underspends from capital schemes completed in 2018/19 were returned to reserves at the end of the year.

Revised plan

If the above proposals are approved, the revised capital plan will be as follows:

MTFS Proposals / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Current approved plan – as above:							
Total	**39,802**	**14,991**	**2,017**	**30**	-	-	**56,840**
Changes proposed:							
Programmes	-	-	-	-	-	-	-
Projects	2,782	7,102	**1,333**	-	-	-	11,217
Sub-total	**2,782**	**7,102**	**1,333**	**-**	**-**	**-**	**11,217**
Provisions	-	-	**-**	-	-	-	-
Total	**2,782**	**7,102**	**1,333**	**-**	**-**	**-**	**11,217**
Proposed plan:							
Programmes	7,789	200	30	30	-	-	8,049
Projects	31,179	21,077	3,260	-	-	-	55,516
Sub-total	**38,968**	**21,277**	**3,290**	**30**	-	-	**63,565**
Provisions	3,616	816	60	-	-	-	4,492
Total	**42,584**	**22,093**	**3,350**	**30**	**-**	**-**	**68,057**

Work continues to develop a number of schemes within the Council capital strategy to be brought forward for funding approval through the BSR in February 2020 and beyond. These schemes will draw on capital funding available and reported above, expected capital receipts and potentially internal and external borrowing as appropriate for the scheme.

Section 7
Risks and reserves

Risks

The council is exposed to a number of risks and uncertainties which could affect its financial position: -

- Savings plans may not deliver projected savings to expected timescales;
- Assumptions and estimates, such as inflation, pay increases and interest rates, may prove incorrect;
- The actual impact and timing of local growth on the demand for some services may not reflect projections used;
- The economic impact of the United Kingdom leaving the European Union may impact some of the council's income streams such as car parking income, commercial rents and planning fee income, with the timing and degree of impact difficult to predict;
- Funding from central government (Settlement Funding Assessment, including the outcome of the Fair Funding Review, New Homes Bonus and other grants) may fall below projections;
- Increases in council tax and business rates receipts due to local growth may not meet expectations;
- Business rates appeals, which may be backdated to 2010, may significantly exceed the provision put aside for this purpose. A specific risk exists around a claim for charitable status and mandatory relief made by NHS Trusts, where a test case is listed for a hearing in November 2019.
- The impact of 75% business rates retention, coupled with any additional responsibilities handed down to the council at that time, may create a net pressure on resources;
- New legislation or changes to existing legislation may have budgetary impacts;
- Unforeseen expenditure, such as major repairs to offices and commercial properties, may be required;

- The implementation of proposals to tackle congestion in Cambridge may adversely impact car parking income and the delivery of services that rely on officers travelling around the city. The council may also become subject to a workplace parking levy;
- The council may not be able to replace time-limited funding for commitments to maintain open spaces associated with growth sites, or implement alternative arrangements for their maintenance; and
- The council may be impacted by spending cuts implemented by other agencies.

Reserves

General Fund reserve

The GF reserve is held as a buffer against crystallising risks and to deal with timing issues and uneven cash flows. As such, the level of the reserve required is dependent on the financial risks facing the council which will vary over time. Therefore, the prudent minimum balance (PMB) and target level of the GF reserve has been reviewed in the light of current risks. Detailed calculations of these amounts are provided in Appendix B.

As a result, the minimal change is recommended. Theses reserve levels have been included in the calculations of net savings requirements in this report.

General Fund reserves	**£m**
February 2019 BSR	
- Target level	6.60
- Minimum level	5.50
October 2019 MTFS – Recommended levels	
- Target level	6.61
- PMB	5.51

The table below shows current and projected levels of the GF reserve.

Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Balance as at 1 April (b/fwd)	**(15,415)**	**(16,429)**	**(18,029)**	**(18,029)**	**(18,029)**	**(18,029)**
Contribution (to) / from reserves	(1,014)	(1,600)	0	0	0	0
Balance as at 31 March (c/fwd)	**(16,429)**	**(18,029)**	**(18,029)**	**(18,029)**	**(18,029)**	**(18,029)**

As noted above, the levels of risk to the financial sustainability of the council are considerable and are increased by delays in the delivery of finding reforms and the impact of Brexit uncertainty alongside a worsening global financial outlook. This council is fortunate to have reserves available to fund one-off transformational activity and capital requirements. No specific proposals have been made on the use of reserves pending the outcome of the Fair Funding Review, when a re-basing of budgets with a longer-term view will be possible.

Earmarked and specific funds

In addition to the GF reserve, the GF maintains a number of earmarked or specific funds which are held for major expenditure of a non-recurring nature or where the income is received for a specific purpose, see Appendix C.

These funds are subject to annual review as part of the MTFS to ensure that agreed principles are applied: -

- Major policy-led funds, such as the Climate Change Fund, are ongoing
- Selected Repairs and Renewals (R&R) Funds – for vehicles and Bereavement Services are ongoing
- Any other reserves will only be held as required for statutory or accounting purposes, to record balances held by the council for other organisations or partnerships or to reflect ring-fenced appropriations.
- Uncommitted balances will be moved to the GF reserve, and funds closed when all committed balances are spent.

Type of earmarked or specific fund	Balance at 31 March 2019 £000	Balance at 31 March 2018 £000
Major policy-led funds	11,518	12,442
R&R funds	933	1,868
Statutory and accounting reserves	6,099	4,319
Shared / partnership funds	6,577	5,258
Other – to be closed once committed balances are spent	235	941
Total	**25,362**	**24,828**

Section 8
Budget strategy

General Fund savings requirements

Description	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Net savings requirement (BSR Feb 2019)	**635**	**635**	**635**	**635**	**598**	**3,138**
Net impact of funding changes, inflation and indicative pressures / reductions in income	345	720	785	895	1,022	3,767
Revised (MTFS) net savings requirement	**980**	**1,355**	**1,420**	**1,530**	**1,620**	**6,905**

General Fund budget strategy

Budget process

The GF budget process for 2020/21 will remain broadly similar to that for previous years, working within an overall cash limit designed to meet known financial pressures. The base model used to prepare this report has driven the recommendations in respect of the 2020/21 budget process and provided indications of the level of savings required to meet both current and anticipated spending needs.

The GF MTFS has highlighted:

- Further economic uncertainty as departure from the European Union approaches;
- A lack of clarity in the future direction of local government funding
- Pressure on payroll costs, due to the city’s vibrant and diverse economy

- A need to take action to balance the budget in the short term and to ensure financial sustainability for the council in the long term

Identification of further savings

The council has a record of identifying and delivering savings, through both service reviews and improvements in value for money obtained over all categories of spending. However, as in previous years, it is expected that the value of new savings found will decrease over time as services become leaner and more cost effective.

As in previous years, the council is continuing with a long-term programme of transformation to bring about fundamental changes to the way the council delivers services and interacts with residents, tenants and other parties. The three-pronged approach to service review and savings delivery initially presented in the council's efficiency plan 2016-2020 is continued:

- transformation programme
- the extension of collaborative working with local partners
- investment to provide regular income streams

As such, BSR 2020 will present budget proposals for savings and increased income, and bids for implementation costs arising from these initiatives.

Achieving financial sustainability and resilience

Despite continuing pressures and uncertainties, the council's finances remain healthy. However, there is no foreseeable end to scarce funding for local authorities and economic conditions remain challenging, particularly with the Brexit deadline of 31 October 2019 approaching. It is important, therefore, to ensure that the council is prepared to manage financial challenges as they arise.

To ensure financial resilience the council must: -

- Maintain healthy levels of reserves
- Implement a ten-year financial planning horizon
- Plan and deliver savings in a controlled and sustainable way

- Ensure savings and income plans are firm and robust and that gaps / savings still to be found are minimised, particularly in the next two or three financial years
- Minimise unplanned overspends and/or carrying forward undelivered savings into the following year.

The council maintains a sound system of financial management and control. However, it is continuing to enhance its planning and monitoring with a view to ensuring that circumstances that might lead to financial stress are identified and acted upon in a timely manner. To this end, all Heads of Service review financial and performance monitoring reports council-wide, ensuring greater challenge, visibility and ownership. This process is supported by the new financial management system which

- Provides better tools for budget holders to monitor their income and expenditure.
- Reinforces the financial management responsibilities of budget holders and their support teams
- Enforces financial procedures and limits through automated workflow processes

Further on-going enhancements include: -

- Improving project management processes and skills, including: -
    - Revising the council's project management toolkit
    - Implementing a corporate project management system, PM3
    - Providing project management training for project managers and sponsors
    - Improving programme and project monitoring by reviewing and enhancing key programme boards
- Enabling greater financial input and challenge to projects and new ventures, particularly at the business case stage, through increasing the resource and skills in the finance team.
- Undertaking more detailed risk analysis, cash flow and funding projections for large and complex projects to support decision-making at the project, programme and whole council levels.

Appendix A(a): Capital Plan 2019/20 to 2024/25

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
Capital-GF Projects								
PR030h	Romsey 'town square' public realm improvements (S106)	J Richards	49	0	0	0	0	0
PR030p	Outdoor fitness equipment near astroturf pitch by Abbey Pool (S106)	I Ross	1	0	0	0	0	0
PR031g	Milton Rd Library community meeting space (S106)	J Hanson	100	0	0	0	0	0
PR031q	Bramblefields nature reserve: improve biodiversity & access (S106)	J Richards	5	0	0	0	0	0
PR031r	Chesterton Rec Ground skate and scooter park (S106)	A Wilson	48	0	0	0	0	0
PR032s	Footbridge across Hobson's Brook at Accordia development (S106)	A Wilson	52	0	0	0	0	0
PR032t	Fulbourn Road open space improvements (S106)	A Wilson	10	0	0	0	0	0
PR032w	Accordia open space improvements (S106)	A Wilson	6	0	0	0	0	0
PR032y	Trumpington Rec Ground skate park (S106)	A Wilson	78	0	0	0	0	0
PR032z	Trumpington Rec Ground trim trail and climbing frame (S106)	A Wilson	12	0	0	0	0	0
PR033s	Histon Rd Rec play area: paths, surfacing & landscaping (S106)	A Wilson	1	0	0	0	0	0
PR033t	St Clement's churchyard open space on Bridge Street (S106)	J Hanson	9	0	0	0	0	0
PR040s	Public art grant for Kettle's Yard - Antony Gormley Performance Programme (S106)	N Black	5	0	0	0	0	0
PR040t	Public Art Grant for Cambridge Live - Colours in our community (S106)	N Black	3	0	0	0	0	0
PR040z	Public art grant for Historyworks - Michael Rosen Walking Trails 2 (S106)	N Black	10	0	0	0	0	0
PR041g	Netherhall School: supplementary grant for gym andfitness suite facilities (S106)	I Ross	56	0	0	0	0	0
PR042a	St Clement's Church community grant (S106)	N Black	30	0	0	0	0	0
PR042b	Mill Road cemetery access and main footpath improvements (S106)	A Wilson	20	0	0	0	0	0
PR042b	Museum of Technology meeting space community grant (S106)	J Hanson	2	0	0	0	0	0
PR042c	Grant for Netherhall School meeting space (S106)	J Hanson	24	0	0	0	0	0
PR042d	Romsey Mill community facility grant (S106)	J Hanson	21	0	0	0	0	0
PR042g	To the River - artist in residence (S106)	N Black	85	0	0	0	0	0
PR042h	Public art grant - Cambridge Junction: News News News (S106)	N Black	5	0	0	0	0	0
PR042j	Public art grant - NIE Theatre, tales from the Edge of Town (S106)	N Black	9	0	0	0	0	0
PR042k	Public art grant - Rowan Humberstone: Ecology sculpture (S106)	N Black	15	0	0	0	0	0
PR042l	Public art grant - Faith and Hope (S106)	N Black	20	0	0	0	0	0
PR042m	Public art grant - Chesterton village sign (S106)	N Black	10	0	0	0	0	0

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
PR042n	Public art grant - HistoryWorks: Travellers and Outsiders (S106)	N Black	15	0	0	0	0	0
PR050a	Relocation of services to 130 Cowley Road (OAS)	W Barfield	20	0	0	0	0	0
PR050d	Mobile working (OAS)	W Barfield	52	0	0	0	0	0
PR050e	Cowley Road Compound ex-Park and Ride site (OAS)	W Barfield	27	0	0	0	0	0
PR050f	Guildhall Welfare Improvements (OAS)	W Barfield	189	0	0	0	0	0
PR050g	Office optimisation (OAS)	W Barfield	275	0	0	0	0	0
SC548	Southern Connections Public Art Commission (S106)	A Wilson	13	0	0	0	0	0
SC571	Procurement of IT System to Manage Community Infrastructure Levy	S Saunders	20	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Queen Anne Terrace car park	S Cleary	193	0	0	0	0	0
SC597	Empty Homes Loan Fund	Y O'Donnell	200	0	0	0	0	0
SC601	Replacement Telecommunications & Local Area Network	T Allen	21	0	0	0	0	0
SC605	Replacement Building Access Control System	W Barfield	8	0	0	0	0	0
SC611	Grafton East car park essential roof repair	S Cleary	33	0	0	0	0	0
SC615	Cherry Hinton Grounds improvements Phase 2 (S106)	A Wilson	49	0	0	0	0	0
SC627	Guildhall Large Hall Windows refurbishment	A Muggeridge	101	0	0	0	0	0
SC633	Reinforcing grass edges along paths across Parker's Piece (S106)	D Peebles	135	0	0	0	0	0
SC634	Grand Arcade and Queen Anne Terrace car parks sprinkler systems	S Cleary	8	0	0	0	0	0
SC639	Re-roofing the Guildhall	W Barfield	164	0	0	0	0	0
SC644	Acquisition of land adjacent to Huntingdon Road Crematorium	G Theobald	46	0	0	0	0	0
SC645	Electric vehicle charging points	J Dicks	415	50	0	0	0	0
SC646	Redevelopment of Cambridge Junction	J Wilson	250	0	0	0	0	0
SC651	Shared ICT waste management software	J Carré	351	0	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	559	0	0	0	0	0
SC655	Resealing the roof at Robert Davies Court	A Muggeridge	177	0	0	0	0	0
SC656	Barnwell Business Park remedial works to the roofs	A Muggeridge	90	0	0	0	0	0
SC658	Cambridge City CCTV infrastructure	J Carré	188	0	0	0	0	0
SC659	My Cambridge City online customer portal	C Norman	154	0	0	0	0	0
SC660	Council Anywhere - desktop transformation	J Carré	329	18	18	0	0	0

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
SC661	Adaptions to Riverside Railings	A Wilson	37	0	0	0	0	0
SC662	Shared Planning Service software and implementation	S Kelly	59	0	0	0	0	0
SC670	Lammas Land car parking infrastructure	A French	27	0	0	0	0	0
SC672	Mill Road Redevelopment - Development Loan to CIP	C Ryba	9,446	2,554	0	0	0	0
SC674	Mill Road Redevelopment - Equity Loan to CIP	C Ryba	4,265	0	0	0	0	0
SC675	Bateman Street tree replacement	A Wilson	17	0	0	0	0	0
SC677	AV equipment upgrade for Committee Rooms and Council Chamber	G Clift	125	0	0	0	0	0
SC678	Crematorium - additional car park	G Theobald	348	0	0	0	0	0
SC679	Crematorium - cafe facilities	G Theobald	323	0	0	0	0	0
SC680	CCTV equipment upgrade	J Carré	30	0	0	0	0	0
SC682	Pay and display equipment upgrade	A Wilson	18	0	0	0	0	0
SC684	Property Management software	P Doggett	100	0	0	0	0	0
SC685	Mobile column lifts at Waterbeach garage	D Cox	24	0	0	0	0	0
SC686	Car park server replacement (LAPE)	S Cleary	20	0	0	0	0	0
SC687	Customer Service Centre improvements	C Norman	61	0	0	0	0	0
SC688	Environmental Health software	J Carré	40	0	0	0	0	0
SC689	Income management software	C Norman	47	0	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0	0
SC691	HRIS new system	D Simpson	20	150	0	0	0	0
SC692	CHUB - community extension to Cherry Hinton library	J Hanson	767	0	0	0	0	0
SC693	Lion Yard shopping centre investment	D Prinsep	4,200	1,800	0	0	0	0
SC694	Meadows Community Hub and Buchan St retail outlet	C Flowers	554	2,168	1,892	0	0	0
SC695	Cromwell Road Redevelopment - equity loan to CIP	C Ryba	1,963	3,037	350	0	0	0
SC696	Cromwell Road Redevelopment - development loan to CIP	C Ryba	3,700	11,300	1,000	0	0	0
SC697	Grant for St John's church improvements (S106)	J Hanson	100	0	0	0	0	0
SC699	Corn Exchange fire doors	J Wilson	37	0	0	0	0	0
SC701	Dales Brewery - fire alarm system	D Prinsep	24	0	0	0	0	0
SC703	King's Parade - temporary barriers	S Hemingway	35	0	0	0	0	0
Capital-GF Projects			**31,179**	**21,077**	**3,260**	**0**	**0**	**0**

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
Capital-Programmes								
PR010	Environmental Improvements Programme	J Richards	70	170	0	0	0	0
PR010a	Environmental Improvements Programme - North Area	J Richards	69	0	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	77	0	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	127	0	0	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	110	0	0	0	0	0
PR037	Local Centres Improvement Programme	J Richards	7	0	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	850	0	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (S106)	T Nicoll	165	0	0	0	0	0
PR038	Investment in commercial property portfolio	J Richards	5,279	0	0	0	0	0
PR039	Minor Highway Improvement Programme	D Prinsep	40	30	30	30	0	0
PR050	Office Accommodation Strategy Phase 2 (OAS)	J Richards	473	0	0	0	0	0
PR051	Building works at the Guildhall to reduce carbon emissions and improve energy efficiency	W Barfield	228	0	0	0	0	0
PR052	RE:FIT 3 Energy performance improvement and carbon reduction programme (Phase 1)	W Barfield	294	0	0	0	0	0
Capital-Programmes			**7,789**	**200**	**30**	**30**	**0**	**0**
Capital-GF Provisions								
PV007	Cycleways	J Richards	397	0	0	0	0	0
PV018	Bus Shelters	J Richards	4	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	0	0	60	0	0	0
PV549	City Centre Cycle Parking	J Richards	2	0	0	0	0	0
PV554	Development Of land at Clay Farm	D Prinsep	393	816	0	0	0	0
PV564	Clay Farm Community Centre -Phase 2 (Construction)	I Ross	0	0	0	0	0	0
PV583	Clay Farm Commercial Property Construction Costs	D Prinsep	20	0	0	0	0	0
PV682	Local investment bond	C Ryba	2,800	0	0	0	0	0
Capital-GF Provisions			**3,616**	**816**	**60**	**0**	**0**	**0**

Total GF Capital Plan	**42,584**	**22,093**	**3,350**	**30**	**0**	**0**

Appendix A(b): Capital Funding 2019/20 to 2023/24

Description	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
External Support						
Developer Contributions	(1,315)	0	0	0	0	0
Other Sources	(733)	(50)	0	0	0	0
Total - External Support	**(2,048)**	**(50)**	**0**	**0**	**0**	**0**
City Council						
Direct Revenue Financing (DRF) - GF Services	(175)	0	0	0	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(5,615)	(1,761)	(1,786)	(1,786)	(1,786)	(1,786)
Earmarked Reserve - Capital Contributions	(4,693)	0	0	0	0	0
Earmarked Reserve - Office Accommodation Strategy	(473)	0	0	0		
Earmarked Reserve - Climate Change Fund	(326)	0	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(1,043)	0	0	0	0	0
Internal Borrowing - Temporary Use of Balances	(23,514)	(21,675)	(3,242)	0	0	0
Usable Capital Receipts	(4,697)	0	(60)	0	0	0
Total - City Council	**(40,536)**	**(23,436)**	**(5,088)**	**(1,786)**	**(1,786)**	**(1,786)**
Total Available Finance	**(42,584)**	**(23,486)**	**(5,088)**	**(1,786)**	**(1,786)**	**(1,786)**
Capital Plan	**42,584**	**22,093**	**3,350**	**30**	**0**	**0**
Net Funding Available	**0**	**(1,393)**	**(1,738)**	**(1,756)**	**(1,786)**	**(1,786)**

Appendix B

General Fund reserves – calculation of Prudent Minimum Balance (PMB) and target level

Description	**Level of risk**	**Amount at risk**	**Risk**
		£	£
Employee costs	*Low*	30,540,290	61,081
Premises costs	*Low*	7,482,630	14,965
Transport costs	*Low*	682,730	2,731
Supplies and services	*Low*	24,966,990	12,483
Grants and transfers	*Low*	33,017,710	33,018
Grant income	*Low*	39,918,600	39,919
Other income	*Medium*	54,194,060	812,911
Miscellaneous	*Low*	404,960	607
Total one year operational risk			977,715
Allowing three years cover on operational risk			**2,933,000**

General and specific risks	**Amount (£)**	**Probability (%)**	
Unforeseen events	2,000,000	30%	600,000
Legal action - counsel's fees	100,000	50%	50,000
Data Protection breach	500,000	30%	150,000
Capital project overruns	750,000	50%	375,000
Project failure / delays to savings realisation	2,000,000	50%	1,000,000
Cover for lower level of earmarked and specific reserves	1,000,000	30%	300,000
Fuel cost inflation - currency fluctuations due to Brexit	100,000	100%	100,000
General risks			**2,575,000**

Prudent Minimum Balance (PMB)	**5,508,000**
Target (PMB + 20%)	**6,610,000**

Operational cost risk profiles				
		Low	*Medium*	*High*
Employee costs	overspend	1.00%	3.00%	5.00%
30,540,290	probability	20.0%	15.0%	10.0%
	amount at risk	**61,081**	**137,431**	**152,701**
Premises costs	overspend	1.00%	3.00%	5.00%
7,482,630	probability	20.0%	15.0%	10.0%
	amount at risk	**14,965**	**33,672**	**37,413**
Transport costs	overspend	2.00%	4.00%	6.00%
682,730	probability	20.0%	15.0%	10.0%
	amount at risk	**2,731**	**4,096**	**4,096**
Supplies and services	overspend	1.00%	3.00%	5.00%
24,966,990	probability	5.0%	10.0%	15.0%
	amount at risk	**12,483**	**74,901**	**187,252**
Grants and transfers	overspend	1.00%	2.00%	3.00%
33,017,710	probability	10.0%	7.5%	5.0%
	amount at risk	**33,018**	**49,527**	**49,527**
Grant income	overspend	1.00%	2.00%	3.00%
39,918,600	probability	10.0%	7.5%	5.0%
	amount at risk	**39,919**	**59,878**	**59,878**
Other income	overspend	5.00%	10.00%	15.00%
54,194,060	probability	10.0%	15.0%	20.0%
	amount at risk	**270,970**	**812,911**	**1,625,822**
Other	overspend	1.00%	2.00%	3.00%
404,960	probability	15.0%	10.0%	5.0%
	amount at risk	**607**	**810**	**607**

Appendix C

Principal earmarked and specific funds

Fund	Balance at 1 April 2019 £000	Anticipated contributions £000	Forecast expenditure £000	Forecast balance 31 March 2024 £000
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	(5,626)	(8,449)	14,075	0
Sharing Prosperity Fund	(260)	0	260	0
Climate Change Fund	(368)	(100)	468	0
Asset Replacement Fund	(933)	(5,000)	5,000	933
Bereavement Services Trading Account	(718)	(800)	1,518	0
Local Plan Development Fund	(1,223)	(600)	1,823	0
Office accommodation strategy fund	(900)	0	900	0
Invest for Income	(8,000)	0	8,000	0
A14 Mitigation Fund	(1,500)	0	1,500	0
Cambridge Live Development Plan	(489)	(250)	739	0
Total	**(20,017)**	**(15,199)**	**34,283**	**933**

The majority of these funds are subject to future contributions and expenditure which cannot be exactly stated. This table reflects our best estimates.

The Local Plan Development Plan Fund is used to fund work with South Cambridgeshire District Council on the joint Local Plan.

Cambridge City Council

OUR COMMERCIAL STRATEGY 2020 AND BEYOND

"It is not the strongest of the species that survives, nor is it the most intelligent. It is the one that is most adaptable to change."

Attributable to Charles Darwin

Our Commercial Vision 2020 and Beyond

Cambridge City Council’s commercial vision for “2020 and Beyond” is to be a council who continually strives for improvement by being commercially innovative, business like in our approach and transparent in our procurement.

By being commercial where appropriate we will increase revenue, reduce cost and deliver value for money, supporting local business and helping to enrich the lives of Cambridge City residents and the wider community.

Our approach will be tempered with an understanding that the council has social, environmental and cultural goals that whilst not commercial in their nature, provide public benefit and good value for money

Contents

Foreword

“Our culture is framed by our organisation’s values and our commitment to put customers at the heart of everything we do. We live in a complex and ever-changing environment and need to be well placed to deal with the spectrum of opportunities that present themselves from the macro of BREXIT to the more localised effect of multi-national companies relocating to Cambridge.

In order to rise to and make the best of these opportunities we must adopt a more business-like approach, inspiring our colleagues to develop into and continue to embrace a commercial perspective, building commercial expertise and commercial acumen, being innovative and at times, being brave.

We need operate a robust framework to manage our projects and contracts, regardless of size, from inception though to project/contract lifetime. We need to be capable of, and open to, spotting new business opportunities, understanding the benefits and balancing the risk, and then to be willing and able to develop them at pace.

The approach to developing commercial opportunity whilst balancing the sometimes conflicting ethos of successful commercial practice and public service ways of working may present some challenges for our colleagues. We must manage this concern with empathy. We also recognise that some services lend themselves more easily to competing on the open market than others. In some instances our services have been established or operate to deliver the social and environmental objectives for the authority rather than being commercial in nature, we should remain mindful of that. However, all services must be business like in their approach with a focus on delivering value for money through efficient services.

With a culture that empowers the team and nurtures ambition, creativity and innovation we will have set the conditions for commercial success.”

Councillor Richard Robertson – Executive Councillor for Finance and Resource – March 2017

Commerciality vs Business-like?

Commerciality and being business like are not mutually exclusive processes; however, it is important that in the context of this strategy we define our understanding of these terms.

For the Council, commerciality is to continue growing our revenue streams by becoming more and more comfortable with innovation, looking for opportunities where we may not have done before, leveraging the true value from our assets and services. We currently generate in the region of £26m of revenue per year, maintaining this level of income or indeed increasing it, (given the reduction in Central Government funding), will need us to continue our commercial journey.

Being business-like in our approach is to be cognisant of the responsibility we have when we spend public money and the expectation that we do so carefully. We should seek value for money in our dealings with suppliers, whether procuring goods, works or services, we should be able to understand and to balance value and cost in all our services, always be looking for efficiencies where possible, managing our contracts effectively and at all times be transparent and compliant in our procurement. All officers should have a level of commercial awareness and the mind-set that when they spot an opportunity that could and should be explored, they know how to raise that opportunity.

When do we use our Commercial Strategy?

Our Commercial Strategy communicates the expectation and helps guide officers in the delivery of a more commercially focused and business like council into 2020 and beyond. It articulates how we will embed a more commercial focus into how the council will deliver its day to day services; it discusses ‘what we need to do’ and ‘how we need to do it’ and ‘how we will recognise success’.

Our Commercial strategy applies whenever and wherever we spend money with internal and external suppliers, when we enter into or manage our commercial/contractual arrangements, generate income or make commercial decisions.

Our Unifying Purpose

The Council has a clear vision to lead a united city, ‘One Cambridge - Fair for All’, in which economic dynamism and prosperity are combined with social justice and equality. Our Commercial Strategy is designed to play its part in facilitating that vision by protecting the public purse, achieving value for money and working in a business-like fashion and, when appropriate generating external income to reinvest in service delivery.

Our Objectives

Our key objectives in delivering this strategy are:

To build our reputation as a high performing, innovative and successful council that operates ethically and has embraced operating in a business like fashion, and the commercialisation that follows, with all our residents in mind.

Feeding from and into the corporate values of:

- To promote a high quality and sustainable environment
- To build relationships and partnerships
- Taking civic pride in Cambridge and the quality of our work

To foster a business like, efficient and innovative approach to service delivery. To be able to develop our service provider capacity to existing customers, spot new opportunities and new customers, thinking wider than other local authorities, looking beyond where we are currently in the market and leveraging any advantage we may have. We will enable greater returns from the provision of non-statutory services, using a comprehensive cost recovery model or pricing strategy, understanding that we can flex market need to maximise return, offering a premium or accelerated service to protect services and generate a return. We should not be wary of using the urgent decision process that is already in place to maximise market place advantage when the opportunity necessitates.

Feeding from and into the corporate values of:

- To take personal responsibility for our decisions
- To manage risk
- Showing flexibility, innovation and learning from experience
- To provide customer focussed services

To manage our procurement function cross council to best effect, balancing value and cost, ensuring our contracts are well-managed, by contract managers who take responsibility for the contract and manage the supplier/client relationship, ensuring they are innovating and adding value throughout the contract lifetime. By not being too dogmatic in our approach and accepting that we will need to work with our suppliers will deliver greatest value for money.

We will place emphasis on the local, working with businesses large and small but with special focus on local SMEs to develop and stimulate the local economy. Our aim to simplify the tender process will increase the number of replies, allowing business greater freedom to innovate, giving the council greater choice and increasing value for money.

Feeding from and into the corporate values of:

- Providing value for money services
- Openness, transparency and accountability
- To take personal responsibility for our decisions

Invest for Income using our strong financial position to deliver the best financial return.

Enabling the delivery of these objectives is the council competency framework. This framework sets out the expectations of behaviour and actions and underpins the OD Strategy.

Our Commercial Approach

Our Commercial Approach is designed to manage our growth, grow our capability and deliver our revenue targets. Our Commercial Approach will ensure that we grow in a controlled and manageable fashion; initially focused on a number of smaller opportunities, in services that lend themselves to revenue growth and deliver best RoI as first priority. This will develop our confidence, refine our processes and help with resourcing projects organically negating the need for extensive and costly external support. It is important we deliver on time, on budget and with the expected returns and this 'success will breed success'.

Our leaders and managers must be clear about the commercial benefits of their offer both to the customer and to ourselves. We must be clear about our costs and how we calculate them, the service level we offer and our USP. We must understand the market, our productivity and manage that effectively to enable the consistent delivery of a great customer experience, generating customer loyalty and repeat business.

Our Commercial Approach draws on number principles and a toolkit to enable our teams to deliver success.

Our Commercial Principles

Our Commercial Principles guide us, articulating the expectation, morphing our behaviour and our vision to successfully embed a more commercialised culture cross council.

- Leadership – We understand that clear, unambiguous, dynamic leadership at every level is fundamental to successfully embedding any culture and this is especially so when the culture needs to embrace new behaviours.

- Honesty – We will need to be honest about current performance, capacity and willingness – not all current traded services are market ready or have the capacity to go to market.

- Apply Sound Process – We must apply tried and tested business planning/management processes to the development of our commercial opportunities. We will use these processes from inception through to delivery and over the lifetime of the project, using detailed evidence based decision making frameworks to achieve the best commercial outcomes.

- Understand and Balance Risk – We accept that the Council will need to take risks to achieve commercial success. We also understand that failure, when we are operating in an uncertain commercial environment is possible, we must however be aware of the risks, understand them, be comfortable with the risk and put in place actions to mitigate that risk.

  We must not however allow the thought of risk taking to overawe us and make 'do nothing' the preferable choice. The commercial world has many failures, spotting failure swiftly, getting out fast and learning from it is crucial.

- Understand Goal Setting – At an organisational and service level we will own a set of clear and realistic targets for fully costed savings, efficiencies and income targets that we expect from our activities.

- Engaging and Empowering our Colleagues – Fundamental to building any positive culture are colleagues who are fully engaged and feel part of the vision. We must engage with them, build their confidence and gain their 'buy in, without it we will fail.

- Demonstrating Social Value - We understand that social value has a very important part to play in how we transact business. We therefore pay due consideration to social and environmental benefits when awarding contracts, rather than wholly focusing on cost.

Our Commercial Toolkit

Our Commercial Toolkit gives us the tools and processes to allow us a simplified lens through which we can analyse commercial opportunities, informing our decision making cycle to ensure we realise the true potential. Our commercial toolkit is designed to inform and assist the development of any business proposition and is covered in greater detail in the attachments to this strategy.

- Business Plans – A Business Plan is defined as 'A document setting out a business's future objectives and strategies for achieving them'.

- Market analysis - Understand risks and opportunities, including competitors and market conditions.

- Business Cases – A Business Case is defined as ‘The justification for a proposed project or undertaking on the basis of its expected commercial benefit’.

- SWOT analysis - Evaluates a project’s strengths, weaknesses, opportunities, and threats and the initials of these factors make up the acronym SWOT.

- ANSOFF Matrix - The Ansoff Matrix is a strategic planning tool that provides a framework to help devise strategies for future growth.

- Decision Making - Using a step-by-step formal decision making process helps make more deliberate, thoughtful decisions by organising relevant information and defining alternatives.

- Social Value – Using our shared Social Value Procurement Guidance when seeking to procure goods, works or services will help to frame our thought processes.

Summary

What will be the ‘Value Add’ from our commercial strategy? What we will see from a more commercially focused model, what does it bring to Cambridge City Council and our residents, how we they see a difference?

- Enhanced Reputation – We will enhance the Council’s reputation as a progressive authority at both a local and national level making Cambridge a more attractive city to live, work and do business in.

- Increased Income – We will ensure income and returns from the Council investing, trading or service provision are as expected. This increased revenue can be reinvested in services, allowing us to deliver ‘more for less’ for our residents.

- Simplified Procurement – Our procurement will be simple, open, transparent and compliant making our tenders more attractive to the market place, working with large businesses and SMES to grow our local economy and deliver value for money

Cambridge City Council

OUR COMMERCIAL STRATEGY 2020 AND BEYOND

PART TWO

The Pathway


ENGAGE
Engaging our colleagues, winning their trust that we are doing the right thing
EMPOWER
Empowering our colleagues with the skills and the confidence to succeed
EXPLORE
Exploring opportunities, thinking wider, looking further
EVALUATE
Evaluate our opportunities and understand risk, reward and resource
EXPLOIT
Exploit our ventures at pace, maximising opportunity and being brave
Celebrate Success
Learn from Failure

Our Commercial Strategy has Three Key Strands

Procurement Future Fit for the 21st Century

(Balancing value and cost delivering a transparent and compliant process)

Explore, Evaluate, Exploit

(Seeking to innovate, Looking to Trade, Planning for Growth)

Creating the Right Environment

Empower and Engage

(Develop a Commercial Mind-Set)

‘The Plan’

We will now look at how we are going to deliver Our Commercial Strategy. We will put into context, examine and explain the deliverables we would expect and understand the measures to identify when we have been successful.

‘The Goals’ - support the delivery of the Our Commercial Strategy, they are the expected deliverables

‘Why are we doing this’ - allows us to understand the context and why this is important

‘What we will need to do?’

- allows us to understand the actions and behaviours to be put in place to achieve our strategic aims.

‘How will we see success?’ - allows us to understand how we will measures our success.

Empower and Engage (Develop a Commercial Mind-Set)

'The Goals'

- To embed a business-like approach as the expected norm across the organisation.
- To embed a commercial approach where appropriate across the organisation.
- To deliver a training and development plan that will empower the individual and the team building a more commercially focused mind-set.

'Why are we doing this'

- A business-like approach will deliver greater value for money from our services, projects and procurement.
- A commercial approach will deliver greater revenue by generating external income that can be reinvested into service delivery.
- It is only confident individuals and teams, with the skills, the knowledge and the confidence who will seek out and successfully develop commercial, revenue earning opportunities.

'What we will need to do?'

- Services will self-asses their suitability to develop commercial activities and clearly articulated the rationale to their individual Director and Head of Commercial
- Deliver one message that clearly articulates the rationale of why the Council is moving to a commercial footing.
- Champion the training offer and support the development of individuals and teams to explore new opportunities.
- Facilitate a commercial a competency training programme to develop the knowledge, skills and behaviours.
- Deliver workshops on key subjects that are fundamental to success in the marketplace, for example negotiation training, contract or specification writing, decision making and detailed planning.
- Support and work with Members to fully consider the commercial implications of their decisions.

'How will we recognise success?'

- Services will have self-assessed their suitability to develop commercial activities and clearly articulated the rationale to their individual Directors and Head of Commercial
- Services are confident in their commercial potential will identify an organic team to lead on commercial activity
- Commercial Services will have been called upon to advise, guide and help develop potential commercial projects
- There will be a well-designed, well attended training programme in place that is relevant with all feedback being monitored to ensure the programme is ever evolving.
- Our workshops will be well attended bringing to life the skills to successfully implement and run a commercial opportunity, drawing on lessons learnt from across the council

- We will have built an information source and toolkit to aid and guide our staff in the development of commercial opportunities

- We will have worked with Members to deliver successful commercial opportunities

Explore, Evaluate, Exploit

(Seeking to innovate, Looking to Trade, Planning for Growth)

'The Goal'

- To be innovative in our approach to income generation, identifying and maximising new trading opportunities and growing them in a controlled and planned fashion.

'Why are we doing this'

- To provide the opportunity, time and space to develop new ideas to generate income, improve services and deliver value for money, while understanding and balancing risk and reward.

'What we will need to do?'

- Develop a Council-wide framework for identifying, prioritising and pursuing income generation
- To examine a move to commercial accounting for our commercial activities, using a Profit and Loss account where applicable, to allow a true vision of costs and profits.
- Identify a 2020 target for income
- Develop appropriate pricing frameworks for all commercial offerings either:
  - ❏ Using competitive commercial pricing structures and charging market rates for discretionary services where possible
  - ❏ Implementing a full cost recovery model
- Develop trading relationships with new partners at a local and if possible national level.
- Review and examine our current trading company structure.
- Look at new trading models to see if they are a good fit for current and future offerings
- Identify a minimum of one new opportunity per service every financial year
- Build a commercial projects register
- Build a marketing strategy into all of our offerings, looking to use mediums to engage with customers
- Refine and prove the commercial programme with a view to it being marketable offer attractive to local businesses, the voluntary community and social enterprises (VCSE) sector and other councils

'How will we recognise success?'

- We will have set our income generation target for 2020
- We will have an income generation framework and use it to identify, prioritise, and pursue appropriate income generation opportunities.
- Designed a suite KPI's and to measure success of commercial projects
- We can reliably measure true costs and therefore profit
- We will have a competitive pricing structure that helps us 'Sell Our Way to Success'
- We will have reviewed and if needed reformed our current trading company structure
- At service level we will have identified and developed income generation opportunities
- We will have developed partnering opportunities at a local and possibly national level
- Marketing will play a key role in our commercial activity

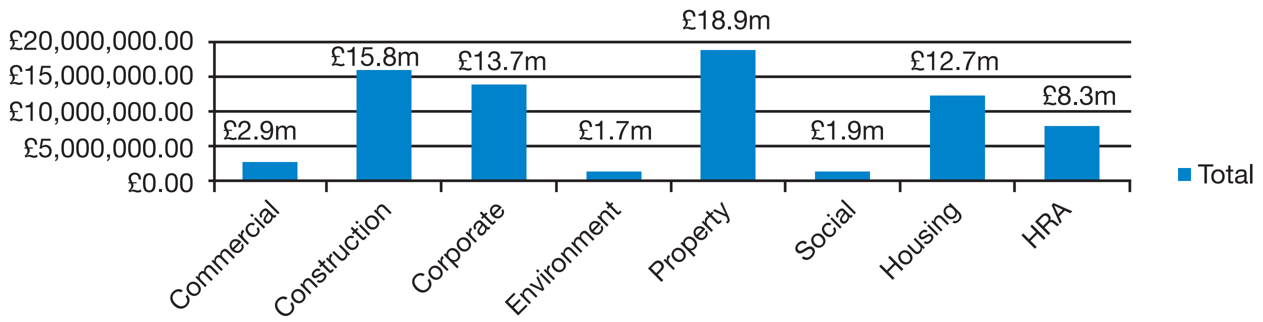
Procurement Future Fit for the 21st Century

(Balancing value and cost delivering a transparent and compliant process)

We spend in excess of £75m a year on externally procured goods and services, a mutually beneficial relationship with our suppliers is crucial if we are to get best value from these relationships. Providing clear leadership to the wider business community we will continue to procure goods and services in an ethical fashion bound by the letter and spirt of the Public Services (Social Value) Act 2012. This isn't about simply complying with The Act, it's about us taking the opportunities provided by it to ensure that we derive as much social value as we can from our procurement.

We will need to view our procurement through a holistic lens looking at all elements of the contract and designing a suite of KPIs to monitor value for money, balancing value and cost. By engaging with local business helping to make working with the council a more attractive opportunity and less bureaucratic process, we will play our part in growing the local economy, helping to secure local employment.

Our top eight spending categories are:



'The Goals'

- To deliver self-sufficient, compliant and transparent procurement across the whole council
- To put in place the intimate support necessary to deliver all corporate and high-risk contracts.
- To have a tender process that is simpler for SMEs to reply to.
- To procure locally, working with businesses and especially SMEs to develop the local economy whilst also delivering value for money.
- To update Contract Procurement Regulations – Part 4G of the Constitution
- To work collaboratively with partner councils in delivering economies of scale and more efficient processes
- To maximise opportunities to deliver social outcomes, which fit with corporate plan objectives, through procurement in accordance with the Public Services (Social Value) Act

'Why are we doing this'

- Provide clear leadership to the wider business community procuring goods and services in an ethical fashion.
- Easier to complete tenders are more attractive to business and to SMEs in particular to reply to. This will open the market place up and allow the council greater choice.
- A simpler process will allow the Council to support the local economy to a greater degree than it currently does.

- As a council we are required to comply with both EU & UK Legislation. Recent legislation has required the following practical changes to our processes
  - Compliance with the Public Contracts Regulations 2015
  - Spends over £25k to be advertised on Contracts Finder
  - Spends over be £164,176 for Goods & Services, and spends over £4,104,394 for works to be published in the Official Journal of the European Union (OJEU)
  - To ensure that all procurements are issued electronically
  - To deliver transparency of spend data
- To protect the Council from risk of a procurement challenge (prosecutions, fines, delays or loss of integrity) that could adversely affect the Council's reputation and ability to continue delivering its commitments and services to our residents.
- To reflect recent changes Contract Procurement Regulations ensuring we remain compliant

'What we will need to do?

- Enable SMEs to reply to council tenders correctly by developing a six monthly programme of Procurement Open Days to dispel any myths around tenders, educate business owners and managers in what is expected in a reply to an ITT.
- Work with council managers to simplify their ITTs, making them easier to complete and allowing the businesses freedom to articulate any 'value add' they bring.
- At a service level conducted a though review of all contracts to ensure compliance
- At a service level identify those that need additional training and ensure attendance at:
  - ❑ Procurement Training
  - ❑ Due North Training for both
    - ❍ issuing low value procurements and
    - ❍ using the contract register section
  - ❑ Refresher training following any substantial changes to the Financial Regulations or the Portal.
- Establish, Maintain and Monitor a live, fully functional, electronic contract register (which includes notifications for soon-to-expire contracts).
- Complete/enable audit checks on any large spend values raised in the FMS on a monthly basis
- Standardised, current, compliant procurement documents that represent the best interest of the Council and our residents
- Develop a cross council approach, building relationship's and confidence

'How will we recognise success?'

- We will have a noticeably greater up take in replies to ITTs
- We will have greater choice in awarding tenders
- We will have a simplified and consistent approach to procurement cross Council
- All procurements will be in compliance with the Council's and UK/EU requirement

- All procurements will have been reviewed for commercial opportunities (economy of scale, efficiency and effectiveness, value for money, whole life considerations and risk management) prior to publishing the Contract.
- All contracts above £5,000 awarded through a competitive process
- All quotes and tenders via Due North
- An electronic, compliant, auditable Contract Register including supporting documentation
- That all spend that exceeds £25,000 have been appropriately procured and documented (with attachments) are auditable on the Contract Register and processed through the Financial Management Systems
- Contract spends & durations do not exceed those included in the advert and/or the permissible tolerances
- A reduction, by in excess of 50%, in the number of suppliers used across the Council
- A decrease in collaborative and corporate contracts accessible across Cambridge City Council.
- Contract Procurement Regulations – Part 4G of the Constitution will be legal and compliant
- We will have used procurement to further our social and environmental objectives
- We will use every opportunity and medium to ‘celebrate the success’ promoting best practice and building confidence
- We will have developed a framework for collaborative for cross council procurement