



## **South Cambridgeshire District Council**

### **Statement of Accounts 2018/19**

Please note that figures are rounded to the nearest thousand (where applicable) throughout the document and may not sum due to rounding

25/03/2022 V2

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Further copies of this report are available from the Councils website, following the hyperlink below:

[Historic log of annual Statement of Accounts](#)



## Narrative Report

### 1. Introduction

This report has been compiled to provide a summary of the development and performance of the Council over the financial year, outline planned future developments in service delivery including revenue and capital investment plans and to provide assistance in understanding the financial statements and the Council's financial position.

### 2. Key Facts about South Cambridgeshire

South Cambridgeshire is a vibrant rural district at the heart of the rapidly growing East of England region. We are home to world-leading centres of science and technology such as Granta Park, the Babraham Institute and Genome Campus at Hinxton, to the Imperial War Museum at Duxford and some of England's oldest villages and newest and most exciting modern communities.

South Cambridgeshire is the second largest and most populous district in Cambridgeshire covering approximately 350 square miles of countryside, completely surrounding Cambridge City.

It is largely rural with most of the population of 159,000 living in small, relatively isolated, outlying rural settlements, and with larger settlements situated on strategic routes into Cambridge such as Histon, Milton and Cambourne, and Cambridge Fringe developments such as Orchard Park and Trumpington Meadows. There are currently no towns in South Cambridgeshire, although Cambridge city is expanding outwards into the district, and construction has begun on the new town of Northstowe. Cambourne, itself a new settlement begun in the late 1990s, has become the largest village in the district with approximately 9,000 people, and is still growing.

Overall, South Cambridgeshire is a prosperous area with high levels of economic activity and low levels of unemployment. The district forms part of the Cambridge Sub-Region. It is also a key location within the London-Stansted-Cambridge corridor and on the key Oxford to Cambridge Arc. The district is a key contributor to the growth that makes Greater Cambridge a major driver of UK economic prosperity, competing for inward investment on a global stage with areas such as Massachusetts, California, Europe and the Far East.

### 3. South Cambridgeshire District Council Corporate Plan 2017-2022

The Corporate Plan 2017-2022 is the document that sets out the Council's vision and strategic objectives, providing the context for the agreement of financial strategies and subsequent departmental budgets to deliver them. The Plan contains:

- Our Vision for the district;
- Four Strategic Objectives setting out how the Vision will be achieved, delivered through 22 key Actions;
- What we will do to achieve each objective, and what success will look like;
- Key performance measures.

Our Strategic Objectives are as follows:

*Living Well* - Support our communities to remain in good health whilst continuing to protect the natural and built environment.

*Homes For Our Future* - Secure the delivery of a wide range of housing to meet the needs of existing and future communities.

*Connected Communities* - Work with partners to ensure new transport and digital infrastructure supports and strengthens communities and that our approach to growth sustains prosperity.

*An Innovative and Dynamic Organisation* - Adopt a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost.

The Plan runs for a rolling five-year period and is refreshed annually. Performance against 2016-2021 Plan objectives was reported to Scrutiny and Overview Committee quarterly and Cabinet in October 2018, including a review of financial performance and updates on the Council's Strategic Risk Register. The reports are available to view here:

#### [Performance and Plans](#)

### 4. Political and Management Structure

South Cambridgeshire District Council was represented by a total of 57 Councillors until May 2018, following a boundary review the number reduced to 45. During 2018/19, the breakdown of councillors by political group was as follows:

Liberal Democrat	30
Conservative	11
Independent Group	2
Labour	2

The Council operates a Leader and Cabinet model of governance under which the Leader of the Council, elected by the whole Council to serve a four-year term of office, appoints a Cabinet of up to ten councillors, each of which are given a Portfolio to reflect a corporate priority. The Cabinet implements the strategic policy and budgetary framework agreed by all Councillors each February. It is held to account by our two scrutiny committees:

- the Scrutiny and Overview Committee (which focusses on the Council's service delivery, performance and budget from an internal perspective) and
- the Partnerships Review Committee (which focuses on how the Council works with other bodies and organisations within the District).

Both bodies consist of 9 Members and meet a minimum of four times a year.

The Council's Executive Management Team is responsible for ensuring that the plans agreed by Council and Cabinet are delivered. At 31 March 2019, the Team consisted of the Interim Chief Executive and Head of Paid Service (Mike Hill), supported by:

- Chief Financial Officer - Bob Palmer (interim)
- Housing, Health and Environmental Services Director – Mike Hill
- Planning and Economic Development Director (Joint with Cambridge City Council) – Stephen Kelly

The Council's three statutory officers are as follows:

- Head of Paid Service - Mike Hill (acting)
- Chief Financial Officer - Bob Palmer (interim)
- Monitoring Officer – Tom Lewis

Further details about these arrangements, and how they operated during 2018/2019, are set out in the Annual Governance Statement accompanying these Accounts.

## 5. Summary of Financial Performance

The financial year began with the setting of the budget in February 2018. The following sections describe the actual performance against this budget. The Council incurs both revenue and capital expenditure, the revenue account, known as the General Fund, bears the cost of providing day to day services. The capital account shows the net cost of transactions to buy or sell land, property or other assets, build new property, make improvements and provide grants or loans to other bodies to undertake this type of activity. The tables below show the outturn position and variances for the General Fund (services for the whole community) and the Housing Revenue Income and Expenditure Account (Council housing). The overall financial position of the Council is reflected in its Comprehensive Income & Expenditure Account and its Balance Sheet shown in these Accounts.

When the council tax for the financial year ending 31 March 2019 was set in February 2018, the surplus was estimated at nil (Appropriation to General Fund Balance line). The variance of £1,866k "net cost of services" line is attributable to the following:

### General Fund Summary

	Budget 2018/19 £'000	Actuals 2018/19 £'000	Variance 2018/19 £'000	Variance 2018/19 %
<b>Net Expenditure</b>				
<b>Portfolio</b>				
Corporate Services	6,399	5,226	(1,173)	-18.33%
Health & Env. Services	6,639	7,168	529	7.97%
Housing (Gen. Fund)	1,373	1,474	101	7.34%
Planning	4,727	3,494	(1,233)	-26.09%
Gr. Cambs. City Deal	922	918	(4)	-0.46%
Unallocated	85	0	(85)	-100.00%
<b>Net Cost of Service</b>	<b>20,145</b>	<b>18,279</b>	<b>(1,866)</b>	<b>-9.26%</b>
Efficiency reserves and precautionary Savings not included in Portfolio est.	125 (449)	0 0	(125) 449	-100.00% -100.00%
<b>Net Portfolio Exp.</b>	<b>19,821</b>	<b>18,279</b>	<b>(1,542)</b>	<b>-7.78%</b>
Income from Invest's Precepts, Levies & Contr's	(1,702) 5,595	(1,514) 5,590	188 (5)	-11.02% -0.09%
Interest Payable (GF&HRA)	0	0	0	-
Depr. Rev & oth Adjs	(864)	(4,809)	(3,945)	456.62%
Pension Interest Costs	0	1,375	1,375	100.00%
Other	0	440	440	100.00%
<b>Net Operating Exp.</b>	<b>22,850</b>	<b>19,361</b>	<b>(3,489)</b>	<b>-15.27%</b>
Cont. to/(from) GF bal	0	4,468	4,468	-
Cont. to/(from) other Res.	(443)	5,911	6,354	-1434.31%
New Homes Bonus	(3,010)	(3,010)	0	0.00%
<b>To be met from Grants and Local Tax</b>	<b>19,397</b>	<b>26,730</b>	<b>7,333</b>	<b>37.80%</b>
Council Tax	(14,013)	(14,240)	(227)	1.62%
Bus. Rates (inc S31)	(5,470)	(7,864)	(2,394)	43.76%
RSG	191	0	(191)	-100.00%
Other Govt Grants	(105)	(3,194)	(3,089)	2941.56%
<b>Taxation and Grants</b>	<b>(19,397)</b>	<b>(25,297)</b>	<b>(5,900)</b>	<b>30.42%</b>



### Housing Revenue Account

The Housing Revenue Account (HRA) summaries the transactions relating to the provision, management and maintenance of Council houses and flats. Although this account is also included within the core financial statements it represents such a significant proportion of the services provided by the Council that it is a requirement that it has a separate account. The account has to be self-financing and there is a prohibition on cross subsidising to or from the council tax payer. The HRA statement and notes are included after the main statement notes.

<b>Housing Revenue Account</b>			
	<b>Budget</b>	<b>Outturn</b>	<b>Var. und/(over)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Dwelling Rents	(27,633)	(28,082)	(448)
Non-dwelling Rents	(427)	(425)	2
Service Charges	(1,002)	(1,941)	(939)
Other Income	(120)	(85)	36
<b>Total Income</b>	<b>(29,182)</b>	<b>(30,533)</b>	<b>(1,351)</b>
Repairs & Maintenance	5,430	5,315	(115)
Supervision & Management	5,292	4,516	(776)
Depreciation	9,881	6,634	(3,246)
Revaluation		8,393	8,393
Other Expenditure	38	1,283	1,245
<b>Total Expenditure</b>	<b>20,641</b>	<b>26,142</b>	<b>5,500</b>
<b>Net</b>	<b>(8,541)</b>	<b>(4,391)</b>	<b>4,151</b>
Transfers (reserves)	0	0	0
Interest Payable	7,179	7,193	14
Interest Receivable	(571)	(760)	(189)
Loss/(Gain) on Sale of HRA Non-Current Assets	2,926	(2,898)	(5,823)
Capital Grants Capital Grants and Contributions		(751)	(751)
Pensions	0	201	201
	<b>9,534</b>	<b>2,985</b>	<b>(6,548)</b>
<b>Deficit/(Surplus) for year</b>	<b>991</b>	<b>(1,406)</b>	<b>(2,399)</b>

The table above shows the variances against the final 2018/19 budget for the HRA with an overall variance of £2.399m (under) reported.

\* Depreciation charged to the HRA in 2018/19 was significantly lower (£4.291m lower) than anticipated due to a reduction in asset values together with an extension of asset lives, recognising the impact of decent homes investment.

\* Capital expenditure funded being significantly more than expected.

Overall the outturn position was a contribution to HRA reserves of £1.406m against a budget that assumed a £0.991m contribution from reserves. HRA reserves stood at £11.057m at 31 March 2019.

### Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £17.7 million. The major part of the programme involved the provision of housing; with £15.625 million being invested through the HRA in the Council's own housing stock and new build initiatives.

### Treasury management

At 31 March 2019, investments totalled £91.443 million, an increase of £16.785 million over the previous year-end. These investments produced interest of over £2.274 million, which was used towards the cost of services.

The Council has debt of £205.123 million funding Housing Revenue Account assets.

### Balances and Reserves

The balances on the General Fund and the Housing Revenue Account were at £13.891 million and £11.057 million respectively as at 31 March 2019 (excluding earmarked reserves) - this compares to the proposed minimum level of balances of £2.5 million (General Fund) and £2.0 million (Housing Revenue Account). These will be used to meet the cost of services in future years and to keep down any increases in council tax/rents.

Reserves available for capital expenditure stood at £11.710 million, consisting of the usable capital receipts reserve and capital grants unapplied.

## **Current and Future Developments**

### **Council Tax**

Historically, the Council Tax set by the Council is substantially below the average charged by other shire districts as the Council used a proportion of its reserves to keep down the amount of Council Tax residents would have to pay. Without the use of reserves, the Council Tax would be at its higher, underlying level. The increasing gap between the actual and underlying council tax reflects the expectation that government grant will continue to decrease in future years and that the Council's expenditure demands will increase further than projected income, requiring the continuing use of reserves and/or additional savings or income generation; this assumption and others is monitored and reviewed in the Council's financial strategy on a regular basis.

### **Reporting Cycle**

The General Fund and Housing Revenue Account estimates are presented to Cabinet and Council for approval every year, in February, and are published on the Council website.

During the year expenditure and income is monitored and significant variances reported to Cabinet. The Council's Forward Plan providing information on key reports is published on the Council's website

The Council regularly monitors performance against key performance indicators, this information and the Corporate Plan is available on the Council website.

### **The Current Economic Climate and Other Significant Risks**

The Government's actions to reduce the fiscal deficit mainly by reducing public spending have resulted in substantial cuts for local government. The Council's medium term financial strategy is in its strategic risk register with an assessed risk of high impact / likely. The financial situation is dependent amongst other things on the continuation of New Homes Bonus and the redistribution of retained business rates.

The Homeless Reduction Act has significantly increased duties owed by the Council, this added to increased costs to meet statutory obligations mean Homelessness is a considerable risk now and in future. The Council is likely to see increased demand for the service and more in-depth support and assessment for those that do approach the Council.

The impact of Covid 19 affected the whole of the 2020/21 financial year and into 2021/22. The government announced a number of measures to support the country including grants and reliefs for businesses, which the council administers. Additionally, £6.2 billion of grant funding was issued to local authorities for the period 1st March 2020 to 30th June 2021. The amounts that the council has received are provided in notes 1.19 and 5 to the accounts.

### **Sale of Higher Value Vacant Council Homes**

The Government has now published the Housing and Planning Act 2016. This Act sets out a number of changes to housing legislation which will impact on the current delivery of services to tenants and the resources required to do so. One of these changes relates to the sale of higher value vacant council homes. The Act enables the Government to set out a definition of 'higher value' homes and creates a duty on local authorities to consider selling homes that meet this definition when they become vacant. The Government intends to use the receipts from these sales to fund the extension of the right to buy scheme to housing association tenants and to create a Brownfield Development Fund. The Act also allows the Government to estimate the amount of money it would expect each individual authority to receive, in each financial year, from sales of higher value homes. Authorities are then required to pay this amount to the Government. Implementation has been deferred until at least April 2019 with secondary legislation required in order to implement the policy. Once full details are published the impact on the HRA Business Plan will be assessed, both in the potential number of homes that will be required to be sold and the amount due to be paid to Government under the annual calculation.

### **Affordable Housing**

Following on from the Housing Revenue Account self-financing debt settlement at the end of March 2012, the Council has embarked upon a new build development programme. In 2018/19 construction was completed on 30 new homes, with the new build programme continuing into 2019/20. 6 existing market homes were also acquired in 2018/19 for letting as affordable housing by the authority.

### **Ermine Street Housing**

In November 2012 approval was given by Council to set up a subsidiary housing company, registered as South Cambs Ltd and trading as Ermine Street Housing with a principal activity being the management of both purchased and leased properties for the purpose of residential lettings.

#### **[Ermine Street Housing](#)**

Ermine Street Housing has a growing portfolio of both owned and leased market housing stock, with a year-end portfolio of 143 leased properties and 339 properties acquired for rental across Cambridgeshire, Suffolk, Northamptonshire, Leicestershire, Nottinghamshire and Leeds. Further additions are planned over the next 2 years to achieve a portfolio of 500 owned properties. A full business case was reported to Council in the autumn of 2015. This was updated and presented to Council in February 2017, February 2018 and February 2019.

As an independent but wholly owned subsidiary and in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice; the Council has prepared group accounts to show the overall financial position and results of the District Council.

### **Greater Cambridge Partnership (formerly known as the Greater Cambridge City Deal)**

The Greater Cambridge Partnership (GCP) (an agreement with Central Government) is a partnership of local councils,



including South Cambridgeshire, business and academia to deliver the City Deal. The Partnership constitutes a 15-year plan to improve the infrastructure of the area, supporting economic growth and securing long-term prosperity and quality of life for the people of Cambridge and South Cambridgeshire. The other partners to the Partnership are Cambridge City Council, Cambridgeshire County Council, the GCGP Local Enterprise Partnership and Cambridge University.

A thriving and vibrant city region, Greater Cambridge has achieved rapid growth and economic success through world-leading innovation and collaboration between entrepreneurs and academics. It has the highest cluster of technology firms in the UK and competes on a global stage as a gateway for high-tech investment into the UK. However, this success and the area's appeal as an attractive place to live and work, has resulted in significant transport congestion, a shortage of housing and access to relevant skills. These issues have to be addressed to secure future economic growth and quality of life. Through the deal, the GCP has secured powers and funding from Central Government to make vital improvements to secure future economic growth and quality of life in the city region. The GCP aims to deliver over £1 billion of investment, thousands of new homes and jobs, and improved transport links. The 15-year plan focuses on four key issues: Transport, Housing, Skills and Innovation.

#### **Cambridgeshire and Peterborough Combined Authority- Devolution**

The Cambridgeshire and Peterborough Combined Authority was formally constituted in March 2017, following a Devolution deal with government which will unlock hundreds of millions of pounds of new funding for the county, including £100 million for affordable homes. Councillor Peter Topping, Leader of the Council, represented SCDC on the Combined Authority in 2018/19 until 3rd May 2018, when Councillor Bridget Smith was appointed Leader of the Council following the elections, in succession to Councillor Topping.

#### **Auditor's Opinion**

The Statement of Accounts has been audited and the Auditor's opinion is shown at the end of this document.




**Peter Maddock**  
**Head of Finance and Section 151 Officer**  
Dated- 25<sup>th</sup> March 2022

# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority 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 Authority, that officer is the Head of Finance (Section 151 Officer);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

.....

**Councillor Mason**

**Chairman of the Audit and Corporate Governance Committee**

## Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the 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 of Practice.

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

This Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2019 and its income and expenditure for the year then ended. These financial statements replace the unaudited financial statements that were signed on 11 September 2020 and presented to the Audit Committee on 29 September 2020.

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**Peter Maddock**

**Head of Finance and Section 151 Officer**



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

## Opinion

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

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement and the related notes 1 to 37 and G1 to G5
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes H1 to H10
- Collection Fund and the related notes CF1 and CF2

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 South Cambridgeshire District Council and Group 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 group 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's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority and Group'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 narrative report, other than the financial statements and our auditor's report thereon. The Head of Finance 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**

### **Basis for Qualified Conclusion**

- Informed decision making - Reliable and timely financial reporting that supports the delivery of strategic priorities

The 2018/19 financial year is the fourth successive year that the Authority has been unable to publish its statement of accounts by the target dates outlined in the Accounts and Audit Regulations 2015. Following the 2017/18 value for money conclusion except for qualification, the Authority did make progress with the arrangements it put in place for preparing its 2018/19 statement of accounts. However, the unaudited statements it published on 11 September 2020 contained fundamental errors in respect of the accounting and disclosure of property, plant and equipment. In October 2020 the interim officer who had played a significant role in preparing the statements left the Authority and the Authority then brought in another interim officer. In addition, the Authority has struggled to implement effectively a new fixed asset register to support the preparation of its statement of accounts leading to a lack of reliable and timely financial reporting.

The issues above are evidence of weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities.

### **Qualified conclusion – Except for**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, South Cambridgeshire District 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**

As explained more fully in the Statement of Responsibilities the Head of Finance 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 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 the South Cambridgeshire District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the South Cambridgeshire District 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, South Cambridgeshire District 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.

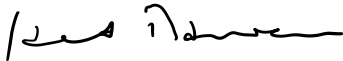

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects 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 South Cambridgeshire District 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 South Cambridgeshire District 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 South Cambridgeshire District Council and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Janet Dawson (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*London*  
*29 March 2022*

The maintenance and integrity of the South Cambridgeshire District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## Comprehensive Income and Expenditure Statement

This statement shows the cost in the year of providing services in accordance with generally accepted accounting practices. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is reflected in the 'Revenue Purpose' column of the Movement In Reserves Statement which shows how the Total Comprehensive Income & Expenditure is allocated to each individual Reserve.

	Note	2018/19			2017/18 Restated		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
<b>Continuing Operations</b>							
Corporate Services		34,369	(29,143)	5,226	33,767	(28,578)	5,189
Health & Environment Services		15,343	(8,175)	7,168	16,966	(10,385)	6,581
Housing (General Fund)		3,724	(2,250)	1,474	3,210	(2,193)	1,017
Planning		8,654	(5,160)	3,494	6,256	(3,449)	2,806
*Housing Revenue Account (HRA)		26,222	(30,097)	(3,875)	18,932	(31,003)	(12,071)
Greater Cambridgeshire City Deal		918	-	918	1,224	-	1,224
<b>Net Cost of Services</b>		<b>89,229</b>	<b>(74,824)</b>	<b>14,405</b>	<b>80,354</b>	<b>(75,609)</b>	<b>4,745</b>
Other Operating Expenditure and Income	9	6,339	(3,633)	2,706	5,926	(1,896)	4,029
Financing and Investment Income and Expenditure	10	8,769	(2,274)	6,494	8,703	(1,452)	7,251
Taxation and Non-Specific Grant Income	11	-	(28,073)	(28,073)	-	(26,177)	(26,177)
<b>(Surplus) / Deficit on Provision of Services</b>				<b>(4,468)</b>			<b>(10,152)</b>
*(Surplus) / Deficit on Reval. of Property Plant and Equipment	12/35			10,126			(30,029)
Actuarial (Gains) / Losses on Pension Assets / Liabilities	32			9,245			(2,599)
<b>Total Comprehensive Income and Expenditure</b>				<b>14,904</b>			<b>(42,780)</b>

\*Further details of the 2017/18 restatement are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.

## Movement in Reserves Statement

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

	Note	General Fund Balance	Ear marked Reserves (Gen. Fund)	Housing Revenue Account	Ear-marked Reserves (HRA)	Restated Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Un-applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Movements in 2017/18</b>											
<b>Balance as at 1 April 2017</b>		(9,985)	(17,772)	(8,992)	(9,500)	-	(11,222)	(486)	(57,957)	(220,341)	(278,298)
Surplus / (Deficit) on Provision of Services	CIES/HRA	(3,029)	-	(7,123)	-	-	-	-	(10,153)	-	(10,153)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	-	-	(32,628)	(32,628)
<b>Total Comprehensive Income and Expenditure</b>		(3,029)	-	(7,123)	-	-	-	-	(10,153)	(32,628)	(42,781)
Adjustment Between Accounting and Funding Basis Under Regulations	7	(2,154)	-	6,019	-	-	1,631	(29)	5,467	(5,467)	0
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>		(5,183)	-	(1,104)	-	-	1,631	(29)	(4,686)	(38,095)	(42,781)
Transfer to Earmarked Reserves	8	4,600	(4,600)	-	-	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>		(583)	(4,600)	(1,104)	-	-	1,631	(29)	(4,686)	(38,095)	(42,781)
<b>Balance as at 31 March 2018</b>	B/S	(10,568)	(22,372)	(10,096)	(9,500)	-	(9,591)	(515)	(62,643)	(258,436)	(321,079)

\*Further details of the 2017/18 restatement are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.

		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Movements in 2018/19</b>											
<b>Balance as at 1 April 2018</b>		(10,568)	(22,372)	(10,096)	(9,500)	-	(9,591)	(515)	(62,643)	(258,436)	(321,079)
Restated as at 1 April 2018		(10,568)	(22,372)	(10,096)	(9,500)	-	(9,591)	(515)	(62,643)	(258,436)	(321,079)
Surplus / (Deficit) on Provision of Services	CIES/HRA	(3,061)	-	(1,406)	-	-	-	-	(4,468)	-	(4,468)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	-	-	19,371	19,371
<b>Total Comprehensive Income and Expenditure</b>		(3,061)	-	(1,406)	-	-	-	-	(4,468)	19,371	14,904
Adjustment Between Accounting and Funding Basis Under Regulations	7	(5,715)	-	1,490	-	-	(1,461)	(143)	(5,828)	5,829	0
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>		(8,776)	-	84	-	-	(1,461)	(143)	(10,296)	25,200	14,904
Transfer to Earmarked Reserves	8	5,911	(5,911)	-	-	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>		(2,865)	(5,911)	84	-	-	(1,461)	(143)	(10,296)	25,200	14,904
<b>Balance as at 31 March 2019</b>	B/S	(13,435)	(28,283)	(10,012)	(9,500)	-	(11,052)	(658)	(72,940)	(233,236)	(306,175)



## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.

	Note	31 March 2019		31 March 2018	
		£000	£000	£000	£000
<b>Long Term Assets</b>					
Property, Plant & Equipment	12	508,795		521,439	
Intangible Assets	36	482		494	
Long Term Investments	13	9,970		8,765	
Long Term Debtors	14	970		970	
<b>Total Long Term Assets</b>			<b>520,217</b>		<b>531,668</b>
<b>Current Assets</b>					
Short Term Temporary Investments	13	81,473		65,893	
Inventories		163		147	
Debtors and Prepayments	16	10,191		12,549	
Cash & Cash Equivalents	17	7,250		7,426	
Assets Held for Sale	35	2,123		2,076	
			<b>101,199</b>		<b>88,091</b>
<b>Current Liabilities</b>					
Short Term Creditors	18	(31,407)		(31,818)	
Short Term Borrowing	15	(3,000)		-	
Cash & Cash Equivalents	17	(1,402)		(965)	
Provisions	19	(3,761)		(3,097)	
			<b>(39,570)</b>		<b>(35,880)</b>
<b>Long Term Liabilities</b>					
Pensions Liability	32	(70,548)		(57,679)	
Long Term Loans	13	(205,123)		(205,123)	
			<b>(275,671)</b>		<b>(262,802)</b>
<b>Total Assets Less Liabilities</b>			<b>306,175</b>		<b>321,077</b>
<b>Reserves</b>					
Usable Reserves	MiRS	72,940		62,229	
Unusable Reserves	MiRS/20	233,235		258,848	
<b>Total Reserves</b>			<b>306,175</b>		<b>321,077</b>

These statements replace the unaudited accounts signed by Peter Maddock on 11th September 2020.

Signed .....  .....

Date 25th March 2022.....

**Peter Maddock**  
Head of Finance as Chief Financial Officer



## The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Note	2018/19 £000	2017/18 £000
Net Surplus/(Deficit) on Provision of Services	CIES	4,468	16,519
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	26,182	11,208
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(4,440)	(9,009)
<b>Net cash flows from Operating Activities</b>		<b>26,210</b>	<b>18,717</b>
Investing Activities	22	(24,725)	(22,816)
Financing Activities	23	(2,100)	4,265
<b>Net Increase or (Decrease) in cash and cash equivalents</b>		<b>(614)</b>	<b>166</b>
Cash and Cash Equivalents at the beginning of the reporting period	17	6,461	6,294
<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>17</b>	<b>5,847</b>	<b>6,461</b>

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## Notes to the Financial Statements

### A. Prior Period Adjustments

#### Property, Plant and Equipment

During 2017/18 the Council procured a new asset management system supplied by The Chartered Institute for Public Finance and Accounting called "Asset Manager System". The Council in 2017/18 undertook a process of transferring data from the Council's previous fixed asset register to this new asset management system. The Chartered Institute for Public Finance and Accounting – local government's lead financial body and carries out the calculations based on the accounting code issued by them.

The Council implemented the new asset management system in 2018/19 to produce the relevant accounting balances and disclosures within the 2018/19 Statement of Accounts. A detailed review of the Council's asset data was carried out prior to the implementation of the new asset management system to ensure that the data imported was accurate and complete. A number of adjustments to the revaluation reserve totalling £2.2m were identified relating to differences in how the new asset management system calculates accounting balances versus the calculations undertaken in the Council's previous fixed asset register and relating to correction of errors identified in the information held in the Council's previous fixed asset register. In addition, upon review of the revaluation reserve, £4.2m of other adjustments relating to the accounting treatment of asset valuations and the subsequent accounting treatment in the revaluation reserve were identified.

The Revaluation Reserve holds movements in revaluations in relation to assets held by the Council where their current value exceeds their 2007 value.

In order to correct for these errors, the Council has restated the prior year information for 2017/18 for the £6.4 million through the unusable reserves line in the balance sheet and the Comprehensive Income and Expenditure Statement. The following tables show the required adjustments to the opening 2018/19 position to adjust for the identified errors in the Movement in Reserves Statement and Comprehensive Income and Expenditure Statement. The Chartered Institute for Public Finance and Accounting Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a balance sheet at the beginning of the preceding period when an authority makes a retrospective restatement, a restated opening balance sheet for the relevant extracted lines is presented below. The following tables demonstrates the effect on the line items in the Balance sheet for the opening balance as at 1 April 2018. The restated prior period Balance sheet is provided with the current year information on page 16 of the financial statements.

It should be noted that the following historical differences do not affect the Council's financial position, the correction of these differences are solely between the Revaluation Reserve, the Capital Adjustment Account (both within unusable reserves) and Comprehensive Income and Expenditure Statement and have no impact on the Council's general fund as the impact on surplus/deficit is removed via the Capital Adjustment Account.

Note 20, Unusable reserves, and the Revaluation Reserve and Capital Adjustment Account elements of this note, have been restated to reflect the above. The previously published note, the amendments made and the restated value are shown below:

#### Impact on Unusable reserves

	31/03/2018		31/03/2018
	Published	Amendment	Restated
	£000	£000	£000
Revaluation Reserve	104,257	6,367	110,624
Capital Adjustment Account	209,159	(6,367)	202,792
Pension Reserve	(57,679)		(57,679)
Deferred Capital Receipts Reserve	83		83
Collection Fund Adjustment Account	3,284		3,284
Accumulated Absences Account	(257)		(257)
<b>Total Unusable Reserves</b>	<b>258,847</b>	<b>-</b>	<b>258,847</b>

When a prior period adjustment is being amended for as per the CIPFA CODE guidance notes, 'material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period' and therefore any balance affected by the prior period adjustment (in this case the adjustment required for the £6.367m) has been reflected throughout the accounts through amendment of the comparative balances. Further details of the 2017/18 restatement for Revaluation Reserves and Capital Adjustment Account are given in the notes to the financial statements on page 48, note 20 under the heading Unusable Reserves, sub heading Revaluation reserve and Capital Adjustment Account.

**Impact on Revaluation reserve**

	31/03/2018		31/03/2018
	Published	Amendment	Restated
	£000	£000	£000
<b>Balance as at 01 April</b>	<b>82,984</b>	<b>-</b>	<b>82,984</b>
Net reval. of assets not charged to surplus/deficit on provision of services	23,662	6,367	30,029
Depreciation Adjustment	(1,658)		(1,658)
Disposals / Reinstatements	(731)		(731)
<b>Balance as at 31 March</b>	<b>104,257</b>	<b>6,367</b>	<b>110,624</b>

Any balance affected by the prior period adjustment (in this case the adjustment required for the £6.367m) has been reflected throughout the accounts through amendment of the comparative balances. Further details of the 2017/18 restatement for the Revaluation Reserve in respect of Net revaluation of assets not charged to surplus/deficit on provision of services are given in the notes to the financial statements on page 48, note 20 under the heading Unusable Reserves, sub heading Revaluation reserve.

**Impact on Capital adjustment account**

	31/03/2018		31/03/2018
	Published	Amendment	Restated
	£000	£000	£000
<b>Balance as at 01 April</b>	<b>192,969</b>		<b>192,969</b>
Capital expenditure financed from;			
Capital receipts reserve	7,008		7,008
Capital exp. charged against GF and HRA balances	6,121		6,121
Capital grants unapplied reserve	(29)		(29)
Other capital grants & contributions	275		275
Major repairs allowances / reserve	6,260		6,260
Internal financing (Minimum Revenue Provision)	472		472
Write out of revaluation gain on disposal from Revaluation Reserve	731		731
Disposal of assets	(2,848)		(2,848)
Revaluation impairment through CIES	4,916	(6,367)	(1,451)
Depreciation, amortisation and impairment	(7,680)		(7,680)
Depr., amortisation and impairment written off from Reval. Reserve	1,658		1,658
Write out of revenue exp. funded from capital under statute	(643)		(643)
Other	(51)		(51)
<b>Balance as at 31 March</b>	<b>209,159</b>	<b>(6,367)</b>	<b>202,792</b>

Any balance affected by the prior period adjustment (in this case the adjustment required for the £6.367m) has been reflected throughout the accounts through amendment of the comparative balances. Further details of the 2017/18 restatement for Capital Adjustment Account in respect of Revaluation impairment through CIES are given in the notes to the financial statements on page 48, note 20 under the heading Unusable Reserves, sub heading Capital Adjustment Account.



## Impact on Net Cost Of Services

	31/03/2018	31/03/2018	31/03/2018	31/03/2018	31/03/2018	31/03/2018	31/03/2018	31/03/2018	31/03/2018
	Gross Expenditure	Gross Expenditure	Gross Expenditure	Gross Income	Gross Income	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure
	Published	Amendments	Restated	Published	Amendments	Restated	Published	Amendments	Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Continuing Operations</b>									
Corporate Services	33,767	-	<b>33,767</b>	(28,578)	-	<b>(28,578)</b>	5,189	-	<b>5,189</b>
Health & Environment Services	16,966	-	<b>16,966</b>	(10,385)	-	<b>(10,385)</b>	6,581	-	<b>6,581</b>
Housing (General Fund)	3,210	-	<b>3,210</b>	(1,689)	(504)	<b>(2,193)</b>	1,521	(504)	<b>1,017</b>
Planning	6,256	-	<b>6,256</b>	(3,449)	-	<b>(3,449)</b>	2,806	-	<b>2,806</b>
Housing Revenue Account (HRA)	12,061	6,871	<b>18,932</b>	(31,003)	-	<b>(31,003)</b>	(18,943)	6,871	<b>(12,072)</b>
Greater Cambridgeshire City Deal	1,224	-	<b>1,224</b>	-	-	-	1,224	-	<b>1,224</b>
<b>Net Cost of Services</b>	<b>73,483</b>	<b>6,871</b>	<b>80,354</b>	<b>(75,105)</b>	<b>(504)</b>	<b>(75,609)</b>	<b>(1,622)</b>	<b>6,367</b>	<b>4,745</b>
Other Operating Expenditure and Income	5,926	-	<b>5,926</b>	(1,896)	-	<b>(1,896)</b>	4,029	-	<b>4,030</b>
Financing and Investment Income and Expenditure	8,703	-	<b>8,703</b>	(1,452)	-	<b>(1,452)</b>	7,251	-	<b>7,251</b>
Taxation and Non-Specific Grant Income				(26,177)	-	<b>(26,177)</b>	(26,177)	-	<b>(26,177)</b>
<b>(Surplus) / Deficit on Provision of Services</b>							<b>(16,519)</b>	<b>6,367</b>	<b>(10,151)</b>
<b>(Surplus) / Deficit on Reval. of Property Plant and Equipment</b>							(23,662)	(6,367)	(30,029)
<b>Actuarial (Gains) / Losses on Pension Assets / Liabilities</b>							(2,599)	-	(2,599)
<b>Total Comprehensive Income and Expenditure</b>							<b>(42,780)</b>	<b>-</b>	<b>(42,780)</b>

Any balance affected by the prior period adjustment (in this case the adjustment required for the £6.367m) has been reflected throughout the accounts through amendment of the comparative balances. Further details of the 2017/18 restatement for the Impact on Net Cost of Services in respect of Revaluation impairment through CIES are given in the notes to the financial statements on page 48, note 20 under the heading Unusable Reserves, sub headings Revaluation Reserve and Capital Adjustment Account.

## 1. Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the relevant financial year and its position at the Balance Sheet date of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (2018-19) and the Service Reporting Code of Practice (2018-19) supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing, further details are provided within note 1.19 to the accounts.
- Accrual of income and expenditure – placing items in the year in which the liability is incurred

The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.

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 accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.

#### Exceptional items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### 1.2. Accruals of Income and Expenditure

The accounts of the Council are maintained on an accruals basis, that is, sums due to the Council for goods/services provided or due from the Council for goods/services received during the year are included as income or expenditure whether or not the cash has actually been received or paid in the year. Any differences between the actual amounts and accrued amounts will be reflected in the accounts of the following year.

Exceptions to this principle relate, for example, to quarterly payments where payments are charged in the year rather than apportioning charges between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts. Grants payable to other organisations are included in the accounts on a payment basis.

Where income and expenditure has been recognised in the accounts but cash has not been received or paid, a debtor or creditor is recorded in the balance sheet.

The Code of Practice on Local Authority accounting for 2018/19 was revised to take into account the latest International Financial Reporting Standards (IFRS), IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with Customers coming into effect.

IFRS 9 includes a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, and a "forward looking" "expected loss" model for impairment rather than the previous "incurred loss" model.

IFRS 15 introduces a five-step process for recognising revenue based on the transfer of control rather than the previous risk and reward.

Both of these changes have been considered as part of the preparation of the Council's accounts for 2018/19 and neither are considered to have a material impact on the financial statements.

Where the Council is due to receive income from contractual arrangements with its customers, it is required to consider the following 5 steps before disclosing income:

1. Identify the contract with a service recipient
2. Identify all the individual performance obligations within the contract
3. Determine the transaction price
4. Allocate the price to the performance obligations
5. Recognise revenue as the performance obligations are fulfilled

If these are deemed to be applicable to any existing arrangements, income will not be recognised in the financial statements until the relevant performance obligations have been met.



### 1.3 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. They include deposits in constant Net Asset Value money market funds that are available for withdrawal with 24 hours' notice. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and from an integral part of the Authority's cash management.

### 1.4 Charges to Revenue for Non-Current Assets

Services and support services are charged with the following amounts to reflect the cost of holding non-current assets during the year:

- depreciation attributable to the asset 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 losses can be written off.
- amortisation of intangible assets attributable to the service.

Any depreciation, revaluation and impairment losses and amortisation charged to the relevant accounts is reversed out in the movement in reserves statement and transferred to the capital adjustment account so that these charges are not met by council tax or rents.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of self-financing. The Authority is required to charge the Housing Revenue Account a notional amount of depreciation; calculated in a similar way to the major repairs allowance. The notional depreciation charge is reserved to fund similar major repairs and improvements works. The transition period continued until 2017-18, with a full depreciation charge equivalent to the whole capital adjustment transfer being charged to the Housing Revenue Account from then onwards.

The Authority is required to charge an annual provision to revenue as a contribution towards reducing its overall borrowing requirement. This provision, known as the Minimum Revenue Provision (MRP), is an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. No minimum revenue provision is currently charged on the debt acquired in relation to Housing Revenue Account self-financing as this is outside the scope of this regime.



## 1.5 Council Tax and Non Domestic Rates

The Council as a billing authority acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of Cambridgeshire County Council, Cambridgeshire & Peterborough Fire Authority and Cambridgeshire & Peterborough Police & Crime Commissioner (i.e. the major preceptors which also includes central government for NDR) and as principal, it collects council tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

## 1.6 Events After the Reporting Period

Events after the balance sheet date 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. There are two types of events:

- 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, and
- 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.

## 1.7 Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the financing and investment section of the Income and Expenditure Account for interest are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that discounts estimated future cash payments over the life of the instrument to the fair value at which it was originally recognised.

The only financial liabilities for this Council are creditors that are trade payables of short duration, measured at original or estimated invoice amount, and long term borrowing which is shown in the balance sheet as the outstanding principal repayable with interest charged to the comprehensive income and expenditure account being the amount payable for the year in accordance with 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 or settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

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

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

The authority'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).

The financial assets applicable to this Council are Investments and Debtors which have the defining characteristics of fixed and determinable payments and are not quoted in an active market and, equity shares in the Local Capital Finance Company (Municipal Bond Agency) with no quoted market prices.

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 section of the comprehensive income and expenditure account for interest 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 owed to the Council, the amount shown in the balance sheet is the outstanding principal or invoice amount receivable and interest credited to the comprehensive income and expenditure account is the amount receivable for the year in the loan agreement.

### **Expected Credit Loss Model**

IFRS 9 requires the authority to recognise the impairment of Trade Receivables (Debtors) held at amortised cost on the amount of Lifetime Expected Credit Losses using the simplified approach. Impairment losses are calculated to reflect the expectation that there is a likelihood arising based on past events experience that cash received will be lower than the carrying amount for receivables. Known uncollectable debts have been written off. Allowances are typically estimated on a percentage basis, with the older the outstanding debt the higher the percentage of the debt that is provided for. All allowances are reviewed and recalculated at the end of the accounting period. Allowances are generally netted off against short term debtors on the Balance Sheet.

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 authority 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 arrive 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 and 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.



## 1.8 Government Grants and Contributions

Government grants and other contributions and donations are recognised as due to the Authority when there is a reasonable assurance that:

- the Authority will comply with the conditions attached to the payment, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the comprehensive income and expenditure statement until such conditions (as distinct from a restriction) attached 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, i.e. If the grant or contribution is not used as intended, then it has to be repaid.

Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified. The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation).

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or to the taxation and non-specific grant income section (non-ring-fenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

When the conditions of a grant have been met and it has been reflected as income in the comprehensive income and expenditure statement, the Council still has discretion to carry the grant income forward through an earmarked reserve if it deems this appropriate. This could arise in cases where there is no condition on the timescale in which the grant can be spent, but it has not been spent at the year-end.

In relation to capital grants or contributions recognised as income in the comprehensive income and expenditure statement, where the expenditure has not been incurred at the balance sheet date, the grant recognised as income is transferred to the Usable Reserve (Capital Grants Unapplied Account) representing capital resources not yet utilised.

Where capital grants are credited to the comprehensive income and expenditure statement, they are

- to the capital grants unapplied reserve if the grant has yet to be used to finance capital expenditure; or
- to the capital adjustment account if the grant has been used to finance capital expenditure.

Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account when they are applied to fund capital expenditure.

## 1.9 Employee Benefits

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 or HRA Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Termination benefits are charged to the appropriate service line in the Comprehensive Income and Expenditure Account when the council can demonstrate that it is committed to terminating the employment of an officer, or has made an offer of voluntary redundancy even if the officer has not left the Council by 31 March.

### Post-Employment Benefits (Pensions)

Post-employment benefits are employee benefits (other than termination and short-term benefits) that are payable after the completion of employment.



Employees of the Authority are eligible to be members of the Local Government Pension Scheme, administered by Cambridgeshire County Council, which is accounted for as a defined benefit Scheme whereby:

- the Authority's share of the liabilities of the pension fund are included in the balance sheet on an actuarial basis using the projected unit cost method, that is, 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 earnings for current employees;
- these liabilities are then discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds;
- the Authority's share of the assets of the pension fund are included in the balance sheet at their fair value being;

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 seven components:

- current service cost being the increase in liabilities as a result of years of service earned in the current year where the cost is allocated in the comprehensive income and expenditure statement to the services for which the employees worked.
- past service cost being the increase or decrease in liabilities arising from decisions in the current year affecting liabilities incurred in past years where the cost is charged or credited to non-distributed costs in the comprehensive income and expenditure account;
- net interest on the net defined benefit liability (asset), that is, the net interest expense for the authority being the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged where the cost is charged to financing and investment income and expenditure in the comprehensive income and expenditure statement.;
- expected return on assets being expected annual investment return on the fund assets, excluding amounts included in net interest on the defined benefit liability (asset), based on the average of the expected long term returns where the return is credited to the financing and investment section of the comprehensive income and expenditure account;
- gains or losses on settlements, being the result of actions to relieve the Authority of liabilities, and curtailments, being events that reduce the expected future service or accrual of benefits of employees, where the gain or losses are credited or charged to non-distributed costs in the comprehensive income and expenditure account;
- actuarial gains and losses being changes in the net pensions liability that arises because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions where the gains and losses are credited or charged to the pensions reserve; and
- contributions paid to the pension fund in the year being the payments made by the Authority as employer, that is, cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.

The charges and credits to the comprehensive income and expenditure account mentioned above are reversed out in the movement in reserves statement to the pensions reserve and replaced with the contributions paid.

The negative balance on the pensions reserve in the balance sheet measures the future liability in respect of benefits due to members of the fund.

Employees of the Council are members of the Local Government Pensions Scheme (LGPS), administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

- The liabilities of the LGPS 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 protected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary).

### **Discretionary Benefits**

The Authority also has powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any employee are accrued in the year of the decision to make the award.

## **1.10 Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **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. Contingent rents are charged as expenses in the periods 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 financing charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

### **The Council as Lessor**

#### **Finance Lease**

Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal whilst an appropriate debtor balance is created to reflect the amount owed.

#### **Operating Leases.**

Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

## **1.11 Overheads and Support Services**

The costs of overheads and support services are charges to those services which benefit from the provision of the overheads and support services in accordance with the costing principles in the Service Reporting Code of Practice. The full cost of overheads and support services are charged out to users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation, and
- Non-distributed costs include pension costs, relating to past service costs and gains and losses on settlements and curtailments, and any depreciation and impairment are reversed out in the movement in reserves statement.

These two categories were defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, these are now reported in line with the management reporting structure of the Council in accordance with the Expenditure and Funding Analysis in the revised Code of Practice.



## 1.12 Intangible Assets

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## 1.13 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 asset will flow to the Authority and the cost of the asset can be measured reliably. Expenditure that maintains but does not add to the 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.

### Measurement

Assets are initially measured at cost, comprising the purchase price and 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 the Authority.

Assets are then carried in the balance sheet using the following measurement bases:

- Infrastructure, community assets- historical cost
- Assets under construction- historical cost
- Dwellings- fair value, determined using the basis of existing use value for social housing
- Investment property- fair value
- Assets held for sale- current value
- Non-commercial assets held for sale- lower of carrying amount and fair value less costs to sell
- Non-property assets that have short useful lives and/or low values- depreciated historical cost basis is used as a proxy for fair value, and
- All other assets- fair value, which for this purpose is interpreted as being met by provision of a market value figure which will reflect all potential uses.

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. Assets included in the balance sheet at fair value and market values are revalued sufficiently regularly (at least every five years) to ensure that their carrying amount is not materially different from their fair value at the year-end. Valuations are undertaken by a professionally qualified valuer and also carry out a material change review at year end to ensure revaluations are kept up to date. Revaluations also take place when there has been a significant change to the asset (e.g. major building works).

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 loss previously charged to a service.

Decreases in valuations are accounted for by writing down the balance (if any) of revaluation gains in the revaluation reserve for that asset and then charging any remaining decrease in value to the relevant service in the comprehensive income and expenditure statement.

The revaluation reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

### Impairment

Assets are assessed at the end of each year 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.

Impairment losses are accounted for by writing down the balance (if any) of revaluation gains in the revaluation reserve for that asset and then charging any remaining impairment to the relevant service in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service 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.



### **Depreciation**

Depreciation is provided on all property, plant and equipment calculated on a straight-line allocation over their useful lives. An exception is made for assets without a determinable finite useful life, i.e. freehold land and certain community assets, if any, and assets that are not yet available for use, i.e. assets under construction, if any.

The residual value of an item of property, plant and equipment and its useful life are reviewed at the end of each financial year and, if expectations differ from previous reviews or there has been a significant change in the consumption of economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Where property, plant and equipment assets have major components whose cost is significant in relation to the total cost of the asset, depreciation on the components has been calculated and is not materially different from depreciation on the depreciable part of the whole asset. Components have not, therefore, been depreciated separately.

Revaluation gains are also depreciated by an amount equal to the difference between the current value depreciation charges on the assets and the historic cost depreciation charges on the assets, with this difference being transferred each year from the revaluation reserve to the capital adjustment account.

### **Componentisation**

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts are grouped together in determining the depreciation charge.

The Council has determined that dwellings and other property is subject to componentisation and are assessed against two components determined by the Council's valuer, namely land and buildings, components within buildings being assessed annually for materiality.

### **Disposal and Non-Current Assets Held for Sale**

An asset is reclassified as an asset held for sale when it becomes probable that the carrying amount of the asset will be recovered principally through a sale transaction. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any subsequent decrease to fair value less costs to sell is posted to the other operating expenditure section in the comprehensive income and expenditure account but any gains in fair value are only recognised up to the amount of any previously recognised losses. Depreciation is not charged on assets held for sale.

Assets no longer meeting the criteria to be classified as assets held for sale 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.**

When an asset is disposed of, the carrying amount of the asset in the balance sheet is written off and any receipts on disposal are credited to the other operating expenditure section in the comprehensive income and expenditure account so that this section shows the net gain or loss on the disposal of non-current assets. The net gain or loss is then reversed out in the movement in reserves statement with the carrying amount transferred to the capital adjustment account and the receipts on disposal credited to the capital receipts reserve so that the net gain or loss is not met by council tax of rents.

Any revaluation gains in the revaluation reserve in respect of the asset 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 capital receipts relating to housing disposals (75% for dwellings and 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government and shown in the other operating expenditure section in the comprehensive income and expenditure.

## 1.14 Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation in the future that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service in the comprehensive income and expenditure statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties. Any payments eventually made are charged against the provision, provisions are reviewed at the end of each financial year and any reduction in the need for the provision is credited back to the relevant service.

### Contingent Liabilities

Contingent liabilities arise where events have taken place which gives the Authority possible obligations whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise where a provision would otherwise be made but either it is not probable that a settlement will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

### Contingent Assets

Contingent assets arise where events have taken place which gives the Authority possible assets whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. 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.

### Developers' Contributions

Developers' contributions are monies received from developers under Section 106 of the Town and Country Planning Act 1990 for future expenditure on affordable housing, drainage, community costs and development etc. Any unused balances of these contributions at the Balance Sheet date are shown as receipts in advance under creditors until such time as the terms and conditions of receipt have been fully satisfied.

## 1.15 Reserves

The Council has set aside certain revenue and capital amounts as earmarked reserves for future policy purposes or to cover contingencies. All other fund balances represent working balances for the purpose of the specific fund and are made up of accumulated surpluses and deficits derived over a period of time. All earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

Reserves are created by transferring 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 unusable reserves and are kept to manage the accounting processes for non current assets, financial instruments, local taxation, retirement and employee benefits are explained in the relevant policies.

## 1.16 Revenue Expenditure Funded from Capital under Statute (REFCuS)

Expenditure which is incurred during the year and which 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. Such expenditure which is met from capital resources or from borrowing is then transferred out in the movement in reserves statement from the General Fund balance to the Capital adjustment account then reverses out the charge so that there is no impact on the council tax.

## 1.17 Value Added Tax (VAT)

VAT is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from Income.



## 1.18 Group Accounts

The boundary for Group Accounts is determined by the extent of the Council's control or influence over an entity, and the materiality of the relationship to users of the Council's accounts.

A subsidiary is an entity which the Council controls through the power to govern its financial and operational activities, so as to obtain benefits from the entity. Control is deemed to exist where the Council owns more than half of the entity.

An associate is an entity where the Council has significant influence over decision making, but stopping short of control. It is normally presumed that significant influence exists where the Council owns 20% or more of the entity.

A jointly controlled entity exists where the Council is party to the contractually and binding agreed shared control of an organisation, where strategic financial and operating decisions require unanimous consent of the parties sharing control.

Group accounts have been prepared for South Cambs Ltd (trading as Ermine Street Housing) and Shire Homes Lettings Limited, both wholly owned subsidiaries of South Cambridgeshire District Council. Investments in the subsidiary companies are recognised in the Balance Sheet as unquoted equity investments at cost.

## 1.19 Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis.

The impact of Covid-19 restrictions have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all, however as the year progressed much of the outstanding money was received and collection rates for example on in year council tax exceeded 99% for the year. The government has provided support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £1.66 million in income compensation for 2020/21 with a further £0.042m in quarter 1 of 2021/22. There were some significant income losses during 2020/21 though these have been much less significant in 2021/22. Also £2.55 million in relation to additional expenditure. A non adjusting post balance sheet event in respect of the details of the impact of the Covid 19 virus are provided within note 5 to the accounts. Our most recent balances compared to the year end reported in these statements is as follows.

Date	General Fund	Housing Revenue Account	Earmarked Reserves
31/03/2019	£13.9m	£11.1m	£37.8m
31/03/2020	£18.6m	£5.3m	£48.6m
31/03/2021*	£16.7m	£4.8m	£47.1m
31/03/2022*	£19.8m	£6.9m	£45.9m
31/03/2023*	£21.9m	£5.1m	£42.9m

\* Projected

This still remains above the Council minimum level of General Fund balances as set by our CFO of £2.5 million.

The Council has carried out an assessment of the impact of Covid-19 on its future finances and are satisfied that there is no material uncertainty relating to going concern.

Through our assessment we have identified that we expect in 2020/21:

Reductions in revenue during 2020/21 was less than originally feared and as mentioned earlier a government compensation scheme was introduced and 75% of losses in 1,3 and 4 below were compensated for. The areas concerned were:-

1. Trade Waste – Losses amounted to around 0.33m or x 51% of income
2. Commercial Income – Arrears for the year were at 3% rather than the 12% predicted and whilst early in the pandemic interest from Ermine Street, the council's wholly owned housing company, was affected detrimentally due to a pause in activity early in 2020/21, things were back on track by the year end.
3. Planning fees – Losses amounted to around £0.75m or 17% of income
4. Business rates – Original losses for 2020/21 assumed at £1m were nearer £0.8m.

The income compensation scheme continued into the first quarter of 2021/22 though losses were somewhat less with both Business Rates and Council tax recovering to pre-covid collection rates.



Additional costs relating to Covid-19 amounted to £1.2m in 2020/21 with the remainder of the funding committed to expenditure in 2021/22 including the funding of a Covid recovery plan.

It is therefore expected that all additional expenditure resulting from the pandemic will be funded from the Government support provided.

The Council has also considered the impact of all the above on its cash flow and treasury management, including availability of liquid cash. At the end of September 2021, the Council had £15m in Other liquid funds and £8.8m in the Bank.

The Council has no issues obtaining the short term borrowing it requires and is currently benefiting from the low interest rates.

The Council has not assumed any additional Government grants not already announced within these assumptions, re-prioritisation of services or alternative service provision. The Council is forecasting a surplus of around £2m in 2021/22 which would then produce a predicted General Fund balance of £19.8 million on 31 March 2022.

The Fair Funding Review has been delayed until 2023/24, and the provisional Government settlement for 2022/23 was similar to 2021/22. Assumptions in the MTFs beyond 2022/23 assume the Fair Funding Review will occur and the Council will as a result see a reduction in funding. However the GF balance on 31 March 2023 is expected to be £21.9m.

## 2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The standards which have been introduced by the 2019/20 Code and will be effective from 1 April 2019 are as follows:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Amendment to IFRS12 Disclosure of Interests in Other Entities
- Amendments to IAS28 Investments in Associates and Joint Ventures
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments and
- Amendments to IFRS 9 Fin. Instruments: Prepayment Features with Negative Compensation.

## 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1 (accounting policies), the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events, this includes a degree of uncertainty about the levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision or through changes to arrangements for service provision.

## 4. 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 the revenues and expenses during the year. However, the nature of estimation means that 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:

<b>Change in assumption</b>	<b>2017-18 inc. in liab. (£m)</b>	<b>2018-19 inc. in liab. (£m)</b>
<i>0.5% decrease in real discount rate</i>	15.65	18.49
<i>0.5% increase in salary increase rate</i>	2.14	2.41
<i>0.5% increase in pension increase rate</i>	13.32	15.79

### Pensions Liability

The main item in the Council's balance sheet as at 31 March 2019 for which there is a significant risk of material adjustment is the estimation of the pension liability by a consulting Actuary engaged by the pension fund administrator, Cambridgeshire County Council.

The estimation is over several decades where a small change in one of the assumptions can have a large effect on the liability and the Actuary has provided the following sensitivity analysis.



### **Fair Value Measurement**

When the fair value of assets and liabilities cannot be measured based on quoted prices in an active market (Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observation 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 Authority's assets and liabilities.

Where Level 1 input is not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

The most significant assets that the Authority has measured at fair value in the Balance Sheet where Level 1 inputs are not available are Investment Properties (Group Accounts) and Surplus Property, Plant and Equipment. Significant changes in any of the unobservable inputs in these valuations would result in significantly higher/lower fair value measurements.

The Council holds on its balance sheet, 158 surplus land assets that are used as either garden or amenity land. The CIPFA code of practice requires surplus assets to be valued at fair value at highest and best use. The Council have valued these assets based on an existing use value of £959,000 as at the 31 March 2019 as disclosed in note 12 of these accounts. The Council have valued these assets on an existing use basis as this is considered to be the current highest and best use. There is a wide range of potential uses for these land assets but there is a high degree of uncertainty over future plans and therefore applying a different highest and best use for valuation purposes is not possible.

Information about the valuation techniques and inputs used in determining the fair value of the Authority's assets and liabilities can be found in Notes 12, 15 and 20.

### **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 increased and the carrying value of the asset will decrease. The largest category of assets is Council dwellings and it is estimated that the annual depreciation charge for these would increase by approximately £600,000 for every year that useful lives had to be reduced.

### **Business Rates:**

Following the introduction of the business rates retention scheme which came into effect from 1 April 2013 the Authority, acting as agent on behalf of the major preceptors, central government and itself is required to make provision for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, this includes amounts relating to non-domestic rates charged to businesses in 2018-19 and earlier financial years.

## **5. Events After the Balance Sheet Date**

The Statement of Accounts were authorised for issue by the S151 Officer (Peter Maddock) on 11th September 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.

The financial statements and notes have not been adjusted for any events which took place after 31 March 2019 to issue / certification date. There were no events within that period that would be relevant to an understanding of the authority's financial position.

On 27th June 2019, the supreme Court refused the Government permission to appeal the McCloud case in respect of age discrimination and pension protection. Hymans Robertson LLP, an independent firm of actuaries have calculated a potential balance sheet effect with respect to the South Cambridgeshire District Council to be less than 1.0% of total liabilities. Based on the year-end liability position of the fund, the increase in estimated total value of the Funds promised retirement benefits as at 31st March 2019 would be approximately £0.542million. The Pension Scheme actuaries have made an assessment of the Council's pension liabilities and investments required under IAS19 Employee Benefits which have been reflected in the financial statements.

On 23rd March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were 'furloughed' on 80% of their existing salary paid by central government. The financial and social outcomes of this have been significant and restrictions in some form or other have been in place for over a year now, however, from 19th July 2021 most restrictions will be lifted and there are signs of the economy returning to a degree of normality. As the condition did not exist at the 31 March 2019, this is therefore a non-adjusting event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2019, particularly with regards to financial impact for 2019/20 and future years and asset impairments, provision for impairment on receivables and pension valuations as at the balance sheet date.

A non adjusting post balance sheet event in respect of the details of the impact of the Covid 19 virus are provided within note 1.19 to the accounts.



## 6. Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis

The Expenditure and Funding Analysis is complementary to the Movement in Reserves Statement and Comprehensive Income & Expenditure Account. The overall purpose of the Expenditure and Funding Analysis is to analyse the amounts reported in the Comprehensive Income and Expenditure Account as operating reporting segment outturn totals across specific types of Reserves. The prior year has been restated as there has been a change in directorate structure in the current year from 10 segments to 6.

2017/18 (Restated)				2018/19			
Net Exp. Chargeable to General Fund & HRA Balances	Adjs between the funding & account-ing basis Capital	Adjs between the funding & account-ing basis Other	Net Expenditure in the Comp. Income & Expenditure Statement	Net Exp. Chargeable to General Fund & HRA Balances	Adjs between the funding & account-ing basis Capital	Adjs between the funding & account-ing basis Other	Net Expenditure in the Comp. Income & Expenditure Statement
£000	£000	£000	£000	£000	£000	£000	£000
1,125	1,740	2,324	5,189	(5,041)	7,106	3,162	5,226
6,090	491	-	6,581	6,463	704	-	7,168
721	296	-	1,017	1,158	316	-	1,474
2,806	-	-	2,806	3,493	0	-	3,494
(572)	(11,959)	459	(12,072)	166	(4,502)	462	(3,875)
1,224	-	-	1,224	918	-	-	918
<b>11,394</b>	<b>(9,432)</b>	<b>2,783</b>	<b>4,744</b>	<b>7,156</b>	<b>3,625</b>	<b>3,624</b>	<b>14,405</b>
-	-	-	-	-	-	-	-
(10,901)	(2,767)	(1,228)	(14,896)	(15,848)	(4,009)	985	(18,873)
<b>493</b>	<b>(12,199)</b>	<b>1,555</b>	<b>(10,152)</b>	<b>(8,692)</b>	<b>(385)</b>	<b>4,609</b>	<b>(4,468)</b>
-	(30,029)	(2,599)	(32,628)	-	10,126	9,245	19,371
<b>493</b>	<b>(42,228)</b>	<b>(1,044)</b>	<b>(42,780)</b>	<b>(8,692)</b>	<b>9,742</b>	<b>13,854</b>	<b>14,904</b>

\*Further details of the 2017/18 restatement are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.

### Expenditure and Income Analysed by Nature

2017/18 TOTAL (Sur./) Def. £'000	Subjective Analysis	2018/19 GF, HRA & £'000	2018/19 Charges to Non-GF Res. £'000	2018/19 TOTAL (Surplus) / £'000
23,651	<b>Expenditure</b>	22,705	3,624	26,329
48,724	* Employee Expenses (including Benefits)	60,357	(13,506)	46,851
0	* Other Service Expenses	0	0	0
1,108	* Support Service Recharges	(1,016)	17,064	16,048
7,193	* Depr., Amortisation and Impairment	7,193	0	7,193
5,434	Interest Payments	5,816	0	5,816
1,510	Precepts and Levies	1,576	0	1,576
492	Pen. Int. costs & expected return on assets	0	523	523
<b>88,112</b>	Payment to Housing Capital Receipts Pool	<b>96,631</b>	<b>7,706</b>	<b>104,336</b>
(41,797)	<b>Total Expenditure</b>	(47,014)	0	(47,014)
(33,308)	<b>Income</b>	(27,876)	66	(27,810)
(1,896)	* Fees, Charges and Other Service Income	55	(3,688)	(3,633)
(6,200)	* Gov. Grants/Contributions (Services)	(6,110)	(844)	(6,955)
(1,452)	Gain on the disposal of assets	(2,274)	0	(2,274)
(13,308)	Government Grants/Contributions (Central)	(14,113)	(60)	(14,173)
(6,669)	Interest and Investment Income	(7,991)	1,045	(6,946)
	Income From Council Tax	(105,323)	(3,481)	(108,804)
	Business Rates Income and Expenditure			
<b>(104,630)</b>	<b>Total Income</b>	<b>(105,323)</b>	<b>(3,481)</b>	<b>(108,804)</b>
<b>(16,518)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(8,692)</b>	<b>4,224</b>	<b>(4,468)</b>

\*Further details of the 2017/18 restatement are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.

**KEY:** \* Net Cost of Service (NCoS)

## 7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

	Usable Reserves					Movement in Unusable Reserves
	Gen. Fund	Hou. Rev. Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Un-applied	
2018/19	£000	£000	£000	£000	£000	£000
<b>Adjustments Involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds cr. as part of gain/loss on disposal to CIES	1,195	5,445	-	(6,640)	-	-
Transfer from Deferred Capital receipts on receipt of cash Used to finance new Capital Expenditure	-	-	-	4,654	-	(4,654)
Contribution towards administrative costs of non-current asset disposals	(8)	6	-	2	-	-
Contribution to finance the payments to the Government capital receipts pool	(523)	-	-	523	-	-
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account</b>						
	143	-	-	-	(143)	-
<b>Adjustments Involving the Capital Adjustment Account: Exclusions</b>						
Charges for depreciation and impairment of non-current assets	(1,718)	(6,634)	-	-	-	8,353
Upward/(Downward) revaluation of non-current assets	(190)	(8,393)	-	-	-	8,583
Amortisation of intangible assets	(129)	-	-	-	-	129
Capital Grants and contributions applied	27	751	-	-	-	(778)
Revenue expenditure funded from Capital under statute	(76)	-	-	-	-	76
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to CIES	(402)	(2,550)	-	-	-	2,952
Statutory provision for repayment of debt (MRP)	87	-	-	-	-	(87)
Capital expenditure charged against the General Fund and HRA balances	(8)	6,693	-	-	-	(6,685)
Other	29	-	-	-	-	(29)
<b>Adjustments Involving the Deferred Capital Receipts Reserve</b>						
Transfer to Deferred Capital Rec. Res. upon revaluation of rents to mortgages	5	-	-	-	-	(5)
<b>Adjustments relating to the Major Repairs Reserve</b>						
Depreciation transferred from HRA	-	6,634	(6,634)	-	-	-
Use of the MRR to finance new capital exp	-	-	6,634	-	-	(6,634)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited/credited to the CIES	(3,162)	(462)	-	-	-	3,624
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements	(985)	-	-	-	-	985
<b>Adjustments Involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	-	-	-	-	-	-
<b>Total Adjustments</b>	<b>(5,715)</b>	<b>1,490</b>	<b>-</b>	<b>(1,461)</b>	<b>(143)</b>	<b>5,829</b>



Restated 2017/18	Usable Reserves Restated					Movement in Unusable Reserves
	Gen. Fund	Hou. Rev. Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Un-applied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments Involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds cr. as part of gain/loss on disposal to CIES	5,869	-	-	(5,869)	-	-
Transfer from Deferred Capital receipts on receipt of cash Used to finance new Capital Expenditure	-	-	-	7,008	-	(7,008)
Contribution towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(492)	-	-	492	-	-
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account</b>	-	-	-	-	(29)	29
<b>Adjustments Involving the Capital Adjustment Account: Exclusions</b>						
Charges for depreciation and impairment of non-current assets	(1,343)	(6,260)	-	-	-	7,603
Upward/(Downward) revaluation of non-current assets	(6,767)	5,316	-	-	-	1,451
Amortisation of intangible assets	(77)	-	-	-	-	77
Capital Grants and contributions applied	(247)	522	-	-	-	(275)
Revenue expenditure funded from Capital under statute	(643)	-	-	-	-	643
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(4,239)	1,391	-	-	-	2,848
Statutory provision for repayment of debt (MRP)	472	-	-	-	-	(472)
Capital expenditure charged against the General Fund and HRA balances	-	6,121	-	-	-	(6,121)
Other	6,409	(6,872)	-	-	-	463
<b>Adjustments Involving the Deferred Capital Receipts Reserve</b>						
Transfer to Deferred Capital Rec. Res. upon revaluation of rents to mortgages	-	0	-	-	-	0
<b>Adjustments relating to the Major Repairs Reserve</b>						
Depreciation transferred from HRA	-	6,260	(6,260)	-	-	-
Use of the MRR to finance new capital exp	-	-	6,260	-	-	(6,260)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited/credited to the CIES	(2,323)	(459)	-	-	-	2,782
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements	1,230	-	-	-	-	(1,230)
<b>Adjustments Involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)	-	-	-	-	3
<b>Total Adjustments</b>	<b>(2,154)</b>	<b>6,019</b>	<b>-</b>	<b>1,631</b>	<b>(29)</b>	<b>(5,467)</b>

\*Further details of the 2017/18 restatement are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.



## 8. Movements in Earmarked Reserves

This note sets out the amount set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2017-18 and 2018-19 together with the aggregate Balances for the General Fund including HRA.

	<b>Balance 31 March 2017</b>	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Balance 31 March 2018</b>	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Balance 31 March 2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Business Rates Growth	(5,821)	(561)	152	(6,230)	-	-	(6,230)
Infrastructure	(3,318)	-	-	(3,318)	-	-	(3,318)
Greater Cambridge City Deal	(4,319)	-	1,224	(3,095)	(922)	886	(3,131)
Renewables	(144)	(4,133)	561	(3,716)	(834)	75	(4,475)
Pensions	733	(1,436)	66	(637)	-	166	(471)
Vehicle Renewables	(1,148)	-	-	(1,148)	(758)	-	(1,906)
Accommodation	(281)	-	-	(281)	(50)	-	(331)
Business Efficiency	(240)	-	-	(240)	(4,050)	264	(4,026)
Electoral Registration	(109)	-	-	(109)	-	-	(109)
Land Charges	(127)	-	-	(127)	(269)	-	(396)
Environmental	(77)	(269)	17	(329)	(83)	51	(361)
Planning	(1,537)	(1,087)	37	(2,587)	(64)	9	(2,642)
Other	(922)	(132)	949	(105)	(5)	69	(41)
Homelessness	0	(194)	28	(166)	(381)	95	(452)
Community Development	(144)	-	30	(114)	-	1	(113)
Housing	(320)	(415)	564	(171)	(123)	13	(282)
<b>General Fund</b>	<b>(17,774)</b>	<b>(8,227)</b>	<b>3,628</b>	<b>(22,373)</b>	<b>(7,539)</b>	<b>1,628</b>	<b>(28,284)</b>
Self Insurance	(1,000)	-	-	(1,000)	-	-	(1,000)
Investment Repayment	(8,500)	-	-	(8,500)	-	-	(8,500)
<b>Housing Revenue Account</b>	<b>(9,500)</b>	<b>-</b>	<b>-</b>	<b>(9,500)</b>	<b>-</b>	<b>-</b>	<b>(9,500)</b>
<b>Total Earmarked Reserves</b>	<b>(27,274)</b>	<b>(8,227)</b>	<b>3,628</b>	<b>(31,873)</b>	<b>(7,539)</b>	<b>1,628</b>	<b>(37,784)</b>

### Earmarked reserves with material balances or movements (over £1m);

Business Rates Growth- Balances for future use on improving returns on Business rates within the business sector.

Infrastructure- Balances for future use on A14 improvements scheme.

Greater Cambridge City Deal- Balances for future use to encouraging business to base themselves in the district.

Renewables- Balances for future use on renewable sources of energy.

Pensions- Balances for future use off-setting the pensions deficit and pension elements of exit packages.

Vehicle Renewables- Balances for future use on replacement vehicles for environmental services.

Planning- Balances for use on general planning matters plus the shared service with partner organisations started in 2018/19

HRA Self-insurance- Balances for future use on unforeseen, one-off, eventualities within the HRA.

HRA Investment Repayment- Balances for future use in redemption of long term borrowing under HRA self-financing arrangements.

## 9. Other Operating Income and Expenditure

	31 March	
	2019 £000	2018 £000
Parish Council Precepts	5,397	5,089
Internal Drainage Boards	193	193
Enterprise Zones	226	152
Payments to the Government Housing Pool	523	492
(Gains) / losses on the disposal of non-current assets	(3,633)	(1,896)
<b>Total</b>	<b>2,706</b>	<b>4,029</b>

## 10. Financing and Investment Income and Expenditure

	31 March	
	2019 £000	2018 £000
Interest payable and similar charges	7,193	7,193
Pensions interest cost	1,576	1,510
Interest receivable and similar income	(2,274)	(1,452)
<b>Total</b>	<b>6,494</b>	<b>7,251</b>

## 11. Taxation and Non Specific Grant Income and Expenditure

	31 March	
	2019 £000	2018 £000
Council Tax Income	(14,173)	(13,308)
Non Domestic Rate Income	(6,946)	(6,669)
Non-ring fenced Government Grants (see note 28 for breakdown)	(6,110)	(5,964)
Capital Grants and Other Contributions (see note 28 for breakdown)	(844)	(236)
<b>Total</b>	<b>(28,073)</b>	<b>(26,177)</b>



## 12. Property, Plant and Equipment

Depreciation starting in the year after acquisition is provided for on non-current assets by writing down the cost (or re-valued amount) less estimated residual value, on a straight-line basis to the appropriate revenue account over the following periods:

- \* Council dwellings – 13 to 54 years,
- \* Buildings other than dwellings – 8 to 40 years,
- \* Vehicles, plant and equipment – 3 to 14 years.

No depreciation is charged on surplus assets held for sale or freehold land in accordance with standard accounting policies. The depreciation charged on dwelling stock is reversed out at 31 March each year when the housing stock is revalued so this charge has no impact on the fair value of the housing stock as recorded in the Balance Sheet.

	Council Dwell- ings	Other Land & Buildings	Vehicles, Plant & Equip- ment	Infra- structure Assets	Assets Under Const- ruction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Gross Book Value 01 April 2018</b>	479,840	27,943	9,137	1,473	7,713	152	526,258
Adjustment	4,625	(4,503)	(356)	(94)	4	-	(324)
<b>Restated as at 1 April 2018</b>	484,465	23,440	8,781	1,379	7,717	152	525,934
<i>Reclassification (to)/from Assets Held for Sale</i>	-	-	-	-	(997)	-	(997)
<i>Additions</i>	8,344	298	1,333	-	7,291	45	17,312
<i>Revaluation Credited to Reval. Res.</i>	(15,978)	3,348	-	-	-	959	(11,671)
<i>Revaluation Applied to the CIES</i>	(13,858)	(394)	-	-	-	16	(14,236)
<i>Other movements in derecognition - Disposals</i>	(2,437)	-	-	-	-	(5)	(2,442)
<i>Asset reclassification</i>	7,801	-	-	-	(7,801)	-	-
<b>Gross Book Value 31 March 2019</b>	468,337	26,692	10,114	1,379	6,210	1,168	513,899
<b>Depreciation 01 April 2018</b>	(79)	(328)	(4,287)	(125)	-	-	(4,819)
Adjustment	79	328	356	94	-	-	857
<b>Restated as at 1 April 2018</b>	-	-	(3,931)	(31)	-	-	(3,962)
<i>Adjustments</i>	-	-	-	-	-	-	-
<i>Depreciation in Year</i>	(6,672)	(538)	(1,097)	(46)	-	-	(8,353)
<i>Depreciation and impairment written out to Reval. Res.</i>	1,546	120	-	-	-	-	1,666
<i>Depreciation and impairment written out to CIES</i>	5,235	418	-	-	-	-	5,653
<i>Other movements in depreciation and impairment</i>	(109)	-	-	-	-	-	(109)
<b>Depreciation 31 March 2019</b>	0	(0)	(5,028)	(77)	-	-	(5,105)
<b>Net Book Value 31 March 2019</b>	468,338	26,692	5,086	1,302	6,210	1,168	508,796



During 2017-18 the Council procured and implemented a new asset management system called "Asset Manager System" supplied by The Chartered Institute for Public Finance and Accounting.

The first year of full use was in 2018-19. A detailed review of the Council's asset data was carried out prior to the implementation of the system to ensure that the data imported was accurate and complete.

This review identified that a number of adjustments were required to bring the opening 2018/19 position in the statement of accounts in line with the correct position as reflected in the new CIPFA AMS fixed asset register. The adjustments reflected in the note below are made up of the following:-

\* £4m reclassification between Council Dwellings and Other Land and Buildings. General Fund properties reclassified from Other Land and Buildings to Council Dwellings - General Fund.

\* £356k Vehicle Plant and Equipment transfer within categories of depreciation and asset value.

\* £94k Infrastructure transfer within categories of depreciation and asset value.

\* £4k Assets under construction correcting the opening balance in line with the asset register.

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Book Value 01 April 2017</b>	451,699	27,236	8,597	1,551	114	152	489,349
<i>Adjustments</i>	103	(123)	(1,524)	(78)	-	10	(1,613)
-Transfers to Intangibles	-	-	(387)	-	-	-	(388)
<i>Additions</i>	9,201	1,653	2,453	-	7,226	-	20,533
<i>Revaluation Credited to Reval. Res.</i>	21,117	6	-	-	373	-	21,496
<i>Revaluation Applied to the CIES</i>	354	(742)	-	-	-	-	(388)
<i>Derecognition- Disposals</i>	(2,611)	(87)	(2)	-	-	(10)	(2,710)
<i>Other</i>	(23)	-	-	-	-	-	(23)
<b>Gross Book Value 31 March 2018</b>	<b>479,840</b>	<b>27,943</b>	<b>9,137</b>	<b>1,473</b>	<b>7,713</b>	<b>152</b>	<b>526,258</b>
<i>Depreciation 01 April 2017</i>	(5)	(610)	(5,068)	(157)	-	-	(5,840)
<i>Adjustments</i>	5	203	1,536	78	-	-	1,822
<i>Depreciation in Year</i>	(6,184)	(617)	(755)	(46)	-	-	(7,602)
<i>Depreciation written out to Reval. Res.</i>	1,167	79	-	-	-	-	1,246
<i>Depreciation written out to CIES</i>	4,938	617	-	-	-	-	5,555
<b>Depreciation 31 March 2018</b>	<b>(79)</b>	<b>(328)</b>	<b>(4,287)</b>	<b>(125)</b>	<b>-</b>	<b>-</b>	<b>(4,819)</b>
<b>Net Book Value 31 March 2018</b>	<b>479,761</b>	<b>27,615</b>	<b>4,850</b>	<b>1,348</b>	<b>7,713</b>	<b>152</b>	<b>521,439</b>
	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Carried Historical Cost</b>	-	-	10,114	1,379	6,210	-	17,703
<b>Valued at Current Value as from: 31st March 2019</b>	468,337	26,692	-	-	-	1,168	496,197
<b>Total Cost or Valuation</b>	<b>468,337</b>	<b>26,692</b>	<b>10,114</b>	<b>1,379</b>	<b>6,210</b>	<b>1,168</b>	<b>513,899</b>

## Revaluations

It is a requirement that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. The Council carries out a programme that will ensure the valuer undertakes an annual desk top revaluation review with an in depth valuation at least every five years.

Valuations, with an effective date of 31 March 2019, on the bases set out in the statement of accounting policies have been carried out for all land and buildings, as follows:

- a) Council dwellings relating to the Housing Revenue Account, by Wilks, Head & Eve LLP and
- b) Non-operational assets relating to the HRA, by Mr Paul Gedge, MRICS, District Valuer, East of England and
- c) Other land and buildings, by Mr Paul Gedge, MRICS, District Valuer, East of England.

The Council is not aware of any events or circumstances which indicate that the amounts stated in the balance sheet for non-current assets may not be realisable, as at the balance sheet date. Council dwellings are valued on the prescribed basis set out in note 30.

The valuation of operational property was on the basis of existing use value. Further detail on the basis for valuation is set out in the statement of accounting policies.

Surplus assets are valued at fair value (at level 3 of the fair value hierarchy) as at 31 March 2019. This value represents the development potential based on a value per net developable acre taking into account planning risk.

Details on investment property valuation can be found in Note G2 (Group Accounts).

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



### 13. Investment and Borrowing

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

The following shows the original principal sum invested at 31 March analysed by the nature of the financial institution and by maturity, these investments (other than South Cambs Ltd) are fixed time and callable deposits where the deposits are redeemed for the same value as the amount invested. The deposits are with United Kingdom banks and building societies and, therefore, no provision is made for possible loss of principal.

	31 March			
	2019 short term £000	2019 long term £000	2019 Total £000	2018 Total £000
Local Authorities	-	4,524	4,524	4,001
South Cambs Limited	59,455	-	59,455	35,913
Clearing Banks	-	14,180	14,180	20,584
Banks (other)	-	4,027	4,027	5,019
Money Market Funds	-	7,179	7,179	3,427
Building Societies with assets: > £10 billion	-	3,016	3,016	8,044
Housing Association	-	5,047	5,047	5,047
Other	-	1,263	1,263	-
Government Securities and Equity Shares	-	-	-	50
	<b>59,455</b>	<b>39,238</b>	<b>98,693</b>	<b>82,085</b>
Less: cash and cash equivalents	(7,250)	-	(7,250)	(7,427)
<b>Total</b>	<b>52,205</b>	<b>39,238</b>	<b>91,443</b>	<b>74,658</b>
<b>Principal Investment analysed by maturity</b>				
2018/19	80,438	-	80,438	65,289
2019/20	-	9,970	9,970	8,715
2020/21	-	-	-	50
Government Securities and Equity Shares	-	-	90,408	74,054
Accrued Interest	1,035	-	1,035	604
	<b>81,473</b>	<b>9,970</b>	<b>91,443</b>	<b>74,658</b>

#### Long Term Borrowing for HRA Financing

In March 2012 the Council obtained 41 individual loans with maturity dates between 2037 and 2057 from the Public Works Loan Board (PWLB) to finance the one-off payment to buy the Council out of the negative subsidy position at the end of 2011/12. The loans have been included in the Balance Sheet at amortised cost, administration charges where incurred are charged directly to the Housing Revenue Income and Expenditure Account. An analysis of the PWLB long term liability is provided below:

	31 March	
	2019 £000	2018 £000
Repayable within 25 years	(75,000)	(65,000)
Repayable within 30 years	(50,000)	(50,000)
Repayable within 35 years	(50,000)	(50,000)
Repayable within 40 years	(30,123)	(40,123)
Repayable within 45 years	-	-
<b>Net Carrying Amount at end of the year</b>	<b>(205,123)</b>	<b>(205,123)</b>

#### 14. Long Term Debtors

	31 March	
	2019 £000	2018 £000
Webbs Hole Sluice	640	640
Long Term Loans (given before 2012/13)	330	330
<b>Net Carrying Amount at end of the year</b>	<b>970</b>	<b>970</b>

#### 15. Financial Instruments

##### Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

##### Financial assets

	Non-current				Current				Total	Total
	Investments		Debtors		Investments		Debtors			
	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000
Amortised cost	9,970	8,765	970	970	81,473	65,893	2,592	4,310	95,005	79,938
<b>Total financial assets</b>	<b>9,970</b>	<b>8,765</b>	<b>970</b>	<b>970</b>	<b>81,473</b>	<b>65,893</b>	<b>2,592</b>	<b>4,310</b>	<b>95,005</b>	<b>79,938</b>
Non-financial assets	-	-	-	-	-	-	7,599	8,239	7,599	8,239
<b>Total</b>	<b>9,970</b>	<b>8,765</b>	<b>970</b>	<b>970</b>	<b>81,473</b>	<b>65,893</b>	<b>10,191</b>	<b>12,549</b>	<b>102,604</b>	<b>88,177</b>

##### Financial liabilities

	Non-current				Current				Total	Total
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000
Amortised cost	(205,123)	(205,123)	-	-	(3,000)	-	(11,834)	(15,912)	(219,957)	(221,035)
<b>Total financial liabilities</b>	<b>(205,123)</b>	<b>(205,123)</b>	<b>-</b>	<b>-</b>	<b>(3,000)</b>	<b>-</b>	<b>(11,834)</b>	<b>(15,912)</b>	<b>(219,957)</b>	<b>(221,035)</b>
Non-financial liabilities	-	-	-	-	-	-	(19,573)	(15,905)	(19,573)	(15,905)
<b>Total</b>	<b>(205,123)</b>	<b>(205,123)</b>	<b>-</b>	<b>-</b>	<b>(3,000)</b>	<b>-</b>	<b>(31,407)</b>	<b>(31,817)</b>	<b>(239,530)</b>	<b>(236,940)</b>

##### Income and Expense Gains and Losses

Interest Payable and Receivable is shown in the Comprehensive Income & Expenditure Account and notes.

##### Fair Values of Assets and Liabilities

Financial liabilities and assets are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions.

For trade payables, bank deposits and trade receivables, being of short duration, and for long term mortgages, being at variable rates, the carrying value in the balance sheet is considered approximate to their fair value.

For investments, which are mainly at fixed rates, fair value has not been calculated and the Code has not been complied with in this respect.

Estimated ranges of interest rates at 31 March 2019 of 0.88% to 1.44% (1.44% to 1.61% at 31 March 2018) for SCDC loans from the Public Works Loans Board based on premature repayment rates at that date.



Fair value is the amount determined by knowledgeable, willing parties in an arm's length transaction. Local authorities are required to follow the fair value hierarchy prescribed by paragraphs 76-90 of IFRS13. This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value, these include:

- Level1 inputs- quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level2 inputs- inputs other than quoted prices included within level1 that are observable for the asset or liability, either directly or indirectly
- Level3 inputs- unobservable inputs for the asset or liability

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level1 inputs) and the lowest priority to unobservable inputs (Level3 inputs).

The fair values and carrying values are considered to be the same with the exception of the following;

	31 March 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial liabilities</b>				
Long term borrowing	(205,123)	(303,063)	(205,123)	(296,854)
<b>Total Financial Liabilities</b>	<b>(205,123)</b>	<b>(303,063)</b>	<b>(205,123)</b>	<b>(296,854)</b>

Equity shares, as available for sale assets are required to be valued at fair value if material. The Council has made an exception to this treatment in respect of its shareholding in the UK Municipal Bonds Agency Plc. The shares in this company were carried at cost of £50,000 and were not been valued as a fair value cannot be measured reliably. The company is only recently established and has no trading history. There is no organisation which might provide comparable market data. However, the Council has disposed of this shareholding within 2018/19.

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 measure the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing rates.

The fair value of the loans from the PWLB has been assessed using the new loans rate. IFRS13 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.

If the Council were to seek to take advantage of the lower prevailing market rates by repaying current PWLB loans, the PWLB would charge a penalty and the Council would have to pay an early redemption rate. The exit price for PWLB loans including this penalty would be over £250m.

The fair value of the liabilities is greater than the carrying amount because the Council's loan portfolio includes fixed rate loans where the interest rate payable is greater than the prevailing rates at the balance sheet date.

## 16. Short Term Debtors and Payments in Advance

An analysis of debtors falling due within one year is shown below:

	31 March			
	2019 Core £000	2019 Coll. Fund £000	2019 Total £000	2018 Total £000
Central Government Bodies	5,492	-	5,492	6,320
Local Authorities	2,089	-	2,089	1,911
NHS	139	-	139	129
Other Entities and Individuals	4,381	448	4,829	6,691
Payments in Advance	71	-	71	-
<b>Total debtors and payments in advance</b>	<b>12,172</b>	<b>448</b>	<b>12,620</b>	<b>15,051</b>
<b>Less: Provision for Bad Debts / Impairment</b>				
Council Tax Arrears- Council share	-	(42)	(42)	(41)
NDR Arrears- Council share	-	(79)	(79)	(80)
Housing (HRA)	(454)	-	(454)	(418)
Sundry Debtors (customer debt)	(1,854)	-	(1,854)	(1,962)
<b>Total provisions for bad debts / impairments</b>	<b>(2,308)</b>	<b>(121)</b>	<b>(2,429)</b>	<b>(2,501)</b>
<b>Total net figure</b>	<b>9,864</b>	<b>327</b>	<b>10,191</b>	<b>12,550</b>

The credit risk associated with accounts payable to the Council is reflected in the provisions made in the accounts for doubtful debts.

## 17. Cash and Cash Equivalents

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

	31 March	
	2019 £000	2018 £000
Cash held by the Authority	-	-
Bank Current Accounts	-	-
Short-term Deposits with Money Market Funds	7,250	7,426
Bank Overdrafts	(1,402)	(985)
<b>Total Cash and Cash Equivalents</b>	<b>5,848</b>	<b>6,441</b>

Payments for financing activities include annual interest of £7.193m (£7.193m 2017/18) relating to long term borrowing by the Housing Revenue Account, further details are provided in Note 13.



## 18. Short Term Creditors and Receipts in Advance

An analysis of creditors falling due within one year is shown below:

	31 March			
	2019 Core £000	2019 Coll. Fund £000	2019 Total £000	2018 Total £000
Central Government Bodies	(4,981)	(7,931)	(12,912)	(12,666)
Local Authorities	(3,972)	(2,639)	(6,612)	(3,239)
NHS	(49)	-	(49)	-
Other Entities & Individuals	(10,404)	-	(10,404)	(15,111)
Receipts in Advance	(402)	(1,027)	(1,430)	(801)
<b>Total creditors and receipts in advance</b>	<b>(19,809)</b>	<b>(11,598)</b>	<b>(31,407)</b>	<b>(31,817)</b>

## 19. Provisions

Provisions included in the balance sheet consist of provisions for bad and doubtful debts, which have been netted off against debtors as shown in the Balance Sheet and Note 16, and a provision for Accumulated Compensated Absences of £0.257m.

New arrangements for the retention of business rates came into effect on 1 April 2013, at which time the Council assumed liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, which will include amounts that were paid over to central Government in respect of 2012-13 and prior years. A provision for these liabilities of £3.504m has been recognised in the 2018-19 accounts, and the in-year movement is shown in Note 33.

## 20. Unusable Reserves

Movements in Usable Reserves are shown in detail on the Movement in Reserves Statement.

	31 March	
	2019 £000	2018 £000 <i>Restated</i>
Revaluation Reserve	98,051	110,624
Capital Adjustment Account	203,604	202,380
Pension Reserve	(70,548)	(57,679)
Deferred Capital Receipts Reserve	88	83
Collection Fund Adjustment Account	2,299	3,284
Accumulated Absences Account	(257)	(257)
<b>Total Unusable Reserves</b>	<b>233,237</b>	<b>258,435</b>

Further details of the 2017/18 restatements for Unusable Reserves in Revaluation Reserve and Capital Adjustment Account are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.

### Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and 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 reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March	
	2019 £000	2018 £000 <i>Restated</i>
<b>Balance as at 01 April</b>	<b>110,624</b>	<b>82,984</b>
Net reval. of assets not charged to surplus/deficit on provision of services	(10,003)	30,029
Depreciation Adjustment	(1,666)	(1,658)
Disposals / Reinstatements	(901)	(731)
<b>Balance as at 31 March</b>	<b>98,053</b>	<b>110,624</b>

Further details of the 2017/18 restatements for Unusable Reserves in Revaluation Reserve are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.



### 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 provision. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to 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 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 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

	31 March	
	2019 £000	2018 £000 <i>Restated</i>
<b>Balance as at 01 April</b>	<b>202,380</b>	<b>192,969</b>
<b>Capital expenditure financed from;</b>		
Capital receipts reserve	4,653	7,008
Capital exp. charged against GF and HRA balances	6,685	6,121
Capital grants unapplied reserve	-	(29)
Other capital grants & contributions	778	275
Major repairs allowances / reserve	6,634	6,260
Internal financing (Minimum Revenue Provision)	87	472
Write out of revaluation gain on disposal from Revaluation Reserve	901	731
Disposal of assets	(2,952)	(2,848)
Revaluation impairment through CIES	(8,583)	(1,451)
Depreciation, amortisation and impairment	(8,481)	(7,680)
Depr., amortisation and impairment written off from Reval. Reserve	1,666	1,658
Reversal of impairment on revaluation	-	-
Write out of revenue exp. funded from capital under statute	(76)	(643)
Other	(92)	(463)
<b>Balance as at 31 March</b>	<b>203,601</b>	<b>202,380</b>

The fair value of long term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Further details of the 2017/18 restatements for Unusable Reserves in Capital Adjustment Account are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.

### Pension 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 CIES 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 employers contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance of the Pension Reserve therefore shows a substantial shortfall in the benefits earned by the past and current employees and the resources the Council have set aside to meet them. The statutory arrangements ensure the funding will have been set aside by the time the benefits come to be paid.

See Note 32 for further details of the Reserve Balance which equates to the Liability.

	31 March	
	2019 £000	2018 £000
<b>Balance as at 01 April</b>	<b>(57,679)</b>	<b>(57,496)</b>
Remeasurements of the net defined liability / (asset)	(9,245)	2,599
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(7,818)	(6,708)
Employers pensions contributions and direct payments to pensioners payable in the year	4,194	3,926
<b>Balance as at 31 March</b>	<b>(70,548)</b>	<b>(57,679)</b>

### Deferred Capital Receipts

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 useable for financing new capital expenditure until they are backed by cash receipts. When the cash is eventually received, amounts are transferred to the Capital Receipts Reserve.



	31 March	
	2019 £000	2018 £000
<b>Balance as at 01 April</b>	<b>83</b>	<b>83</b>
Movement in year	5	0
<b>Balance as at 31 March</b>	<b>88</b>	<b>83</b>

#### Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the amount that the Council owes itself at the year end arising from the declared Collection Fund Surplus for the year. This amount is not permitted to be allocated to the General Fund under Statute hence it's inclusion within this Reserve.

See Collection Fund Accounts for further details

	2018/19	2017/18
	£000	£000
<b>Balance as at 01 April</b>	<b>3,284</b>	<b>2,054</b>
Amount by which non-domestic rates income credited to CIES is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(1,045)	726
Amount by which council tax income credited to CIES is different from council tax income calculated for the year in accordance with statutory requirements	60	504
<b>Balance as at 31 March</b>	<b>2,299</b>	<b>3,284</b>

#### Accumulated Absence Reserve

The Accumulating Compensated Absences Reserve reflects the input of excess staff time utilised at the Balance Sheet Date which will be paid in kind beyond the Balance Sheet Date in the form of excess leave or flexi time carried forward.

	2018/19	2017/18
	£000	£000
<b>Balance as at 01 April</b>	<b>(257)</b>	<b>(254)</b>
Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	-	(3)
<b>Balance as at 31 March</b>	<b>(257)</b>	<b>(257)</b>

## 21. Cash Flow Statement - Operating Activities

### Adjust net surplus or deficit on the provision of services for non cash movements

	31 March	
	2019 £000	2018 £000
Depreciation	8,481	7,679
Impairment and upward revaluations	8,574	(5,168)
Increase / (decrease) in creditors	(411)	7,384
Increase / (decrease) in provisions	664	16
(Increase) / decrease in debtors	2,358	(4,466)
(Increase) / decrease in inventories	(16)	(59)
Pension Liability	3,624	2,782
Carrying amount of Non-Current Assets sold	2,906	2,848
Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services	(516)	193
<b>Total</b>	<b>25,665</b>	<b>11,209</b>

### Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

	31 March	
	2019 £000	2018 £000
Creditors relating to Section 106 etc.	1,816	224
Creditors relating to Collection Fund Agencies	283	(4,489)
Proceeds from the sale of property and equipment, investment property and intangible assets	(6,539)	(4,745)
<b>Total</b>	<b>(4,440)</b>	<b>(9,009)</b>

### Operating activities within the cashflow statement include the following cash flows relating to interest and other operating activities

	31 March	
	2019 £000	2018 £000
Interest Received	2,274	1,446
Interest Charge for the Year	(7,193)	(7,193)
Other Operating Activities	-	-
<b>Total</b>	<b>(4,918)</b>	<b>(5,747)</b>



## 22. Cash Flow Statement - Investing Activities

	31 March	
	2019 £000	2018 £000
Purchase of Property, Plant and Equipment, Investing Property	(17,479)	(21,052)
Purchase of Short-term and Long-term Investments	(16,785)	(6,508)
Purchase of Short-term and Long-term Borrowing	3,000	-
Other Payments for Investing Activities	-	-
Proceeds from Sale of Property, Plant and Equipment, Investment	6,539	4,745
Other Receipts from Investing Activities	-	-
<b>Total</b>	<b>(24,725)</b>	<b>(22,816)</b>

## 23. Cash Flow Statement - Financing Activities

	31 March	
	2019 £000	2018 £000
Creditors relating to Section 106 etc.	(1,816)	(224)
Creditors relating to Collection Fund Agencies	(283)	4,489
<b>Total</b>	<b>(2,100)</b>	<b>4,265</b>

## 24. Trading Operations

There were no trading operations at the Council in 2018/19 or prior.

## 25. Members Allowances

South Cambridgeshire District Council was represented by a total of 57 Councillors until May 2018, following a boundary review the number reduced to 45. Further information is available upon request from the Democratic Services Manager, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge, CB23 6EA.

	31 March	
	2019 £	2018 £
Allowances	305,807	374,201
Expenses	27,988	20,221
<b>Total Member Allowances</b>	<b>333,795</b>	<b>394,422</b>

## 26. Officer Remuneration

Senior Officer Remuneration:

	2018/19				Total Remuneration including Pension Contributions
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Compensation for Loss of Office	
Chief Executive (ended 28th Feb 2019) #1 #5	130,034	-	19,984	202,455	352,473
Executive Dir. (Corp. Services) (Retired 31st Dec'18) #6	80,315	-	12,604	-	92,919
Interim Executive Dir. (Corporate Serv.) (from Jan 2019)	34,300	-	-	-	34,300
Director of Health & Env. Services #2 #4 #7	95,906	-	16,253	-	112,158
Director of Housing (ended 22nd July 2018)	29,823	-	-	-	29,823
Director of Planning & Eco. Dev. #3	106,152	-	18,046	-	124,198
<b>Total</b>	<b>476,529</b>	<b>-</b>	<b>66,887</b>	<b>202,455</b>	<b>745,871</b>

#1- Loss of office cost is additional pension contributions payable due to early retirement.

#2- Includes acting up to Chief Executive from 1st March 2019, with remuneration.

#3- Shared Director with Cambridge City Council, 100% of remuneration costs shown above, costs shared 50:50.

#4- Includes acting as Dir. Of Housing from 23rd July 2018, without remuneration.

#5- Includes £12,000 for acting as Retuning Officer

#6- Includes £536 associated payment for acting in local elections

#7- Includes £300 associated payment for acting in local elections



2017/18

	<b>Salary (including fees and allowances)</b>	<b>Benefits in Kind</b>	<b>Pension Contributions</b>	<b>Compensation for Loss of Office</b>	<b>Total Remuneration including Pension Contributions</b>
Chief Executive (from 1st July 2017)	91,566	-	15,566	-	107,132
Interim Chief Exec. (until 30th Jun'17)	50,232	-	6,806	-	57,038
Executive Dir. (Corporate Services)	82,097	-	13,957	-	96,054
Director of Health & Env. Services	85,994	-	14,500	-	100,494
Director of Housing	85,296	-	1,208	-	86,504
Dir. Of Plan. & Eco.Dev.(from Jun'16) #3	105,101	-	17,867	-	122,968
<b>Total</b>	<b>500,286</b>	<b>-</b>	<b>69,904</b>	<b>-</b>	<b>570,189</b>

The number of employees, excluding Senior Officers shown below, whose remuneration was £50,000 or more were:

	31 March	
	2019 No of Employees	2018 No of Employees
<b>Remuneration Band</b>		
£50,000 - £54,999	8	12
£55,000 - £59,999	6	1
£60,000 - £64,999	3	1
£65,000 - £69,999	1	1
£70,000 - £74,999	0	1
<b>Total</b>	<b>18</b>	<b>16</b>

Remuneration for these purposes includes all sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits other than in cash. As remuneration includes redundancy and compensation for loss of office, the number of employees in each salary band can vary from year to year. Pension contributions payable by either the employee or employer are excluded.

#### Termination Benefits

Exit packages are those that have been agreed by the Authority, i.e. those packages for which the Authority is demonstrably committed and, have been paid in 2018/19 or are committed to be paid within 12 months. The costs included are those termination benefits defined and measured in accordance with the Code of Practice and include all relevant redundancy costs, pension contributions in respect of early retirement, ex gratia payments and other departure costs.

2018/19

	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band £000
<b>Exit Package Cost Band (including special payments)</b>				
£0 - £20,000	2	1	3	23
£20,001 - £40,000	-	1	1	30
£40,001 - £60,000	-	1	1	44
£200,001 - £220,000	-	1	1	202
<b>Total Cost Included in Bandings and in the CIES</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>300</b>

2017/18

	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band £000
<b>Exit Package Cost Band (including special payments)</b>				
£0 - £20,000	2	-	2	18
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
<b>Total Cost Included in Bandings and in the CIES</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>18</b>

## 27. External Audit Fees

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims and returns:

	31 March	
	2019 £000	2018 £000
External Audit Services 2018/19	57	-
Certification of Grant Claims & Returns 2018/19	9	-
Housing pooling capital receipts 2018/19	4	-
External Audit Services 2017/18	-	57
Certification of Grant Claims & Returns 2017/18	-	11
Additional Audit Fee 2017/18	-	80
Housing pooling capital receipts 2017/18	-	4
Additional Audit Fee 2016/17	-	34
Housing pooling capital receipts 2016/17	-	4
<b>Total External Audit Fees</b>	<b>70</b>	<b>189</b>



## 28. Grants and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure

	31 March	
	2019 £000	2018 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Revenue Support Grant	-	(230)
New Homes Bonus	(3,010)	(3,932)
Other non-ringfenced government grants	(605)	(351)
Business Rates	(2,496)	(1,451)
Capital Grants and Contributions	(844)	(236)
<b>Total Grants and Contributions</b>	<b>(6,955)</b>	<b>(6,200)</b>

	31 March	
	2019 £000	2018 £000
<b>Credited to Services</b>		
Department for Work and Pensions (DWP)- Housing Benefit	(25,644)	(26,708)
Cabinet Office (CO)- Electoral	(20)	(24)
Ministry for Hou, Comm. and Local Government (MHCLG)	(311)	(290)
Other Government Grants	(1,193)	(1,191)
Private Sector Grants- s106 Grants	(5)	(16)
Contributions from other Local Authorities- Improvement Grants (capital)	(636)	-
<b>Total Grants and Contributions</b>	<b>(27,810)</b>	<b>(28,229)</b>

## 29. Related Party Declarations

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows the reader 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 is responsible for providing the statutory framework within which the Council operates and 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 Collection Fund surplus or deficit. Details of transactions with government departments and Precepting authorities are set out in Note 28 and the Collection Fund Statement.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018-19 is shown in Note 25.

The Council has two subsidiary companies wholly owned by the Council, South Cambs Limited ( trading as Ermine Street Housing ) and Shire Homes Lettings Limited. Transactions between these companies and the Council are accounted within the Council's group accounts. Council employee Mike Hill (unpaid) and Councillors Ian Sollom and John Batchelor are Directors of Ermine Street Housing. Council employee Heather Wood (unpaid) is Director of Shire Homes Lettings Limited. Please see Note G3 to the Group Accounts regarding loans and investments.

In 2018-19, there were no reported material related party transactions that are not disclosed elsewhere in the accounts. Members Senior Officers and statutory post holders are required to ensure up-to-date disclosures with respect to related parties, through registers of interests.

### 30. Capital Expenditure and Financing

The total amount of capital enhancement incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital enhancement 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.

	31 March			
	2019 HRA £000	2019 GF £000	2019 TOTAL £000	2018 TOTAL £000
<b>Opening Capital Financing Requirement</b>	<b>204,429</b>	<b>42,422</b>	<b>246,851</b>	<b>225,367</b>
<b>Capital Investment</b>				
Loan to Ermine Street *	-	23,147	23,147	20,260
Intangible Assets	-	117	117	387
Non-current	15,625	1,693	17,318	20,301
Revenue Exp. Funded from Capital Under Statute	-	76	76	643
<b>Sources of Finance</b>				
Capital receipts and contributions	(2,881)	(1,772)	(4,653)	(7,008)
Revenue	(6,404)	(281)	(6,685)	(6,121)
Grants and Reserves	(751)	(27)	(778)	(246)
Major repairs reserve	(6,634)	-	(6,634)	(6,260)
MRP from Capital Adjustment Account	-	(87)	(87)	(472)
<b>Closing Capital Financing Requirement</b>	<b>203,384</b>	<b>65,287</b>	<b>268,672</b>	<b>246,851</b>

\* The loans made to South Cambs Limited, from cash balances, are recognised as capital in year, increasing the Council's underlying need to borrow.

### 31. Leases

There were no finance lease agreements during 2018/19 or prior.

The Council has no operating leases. Rental payments of £84,719 in respect of vehicle rentals were made in 2018-19 (£599,462 in 2017-18), this reduction is due to a change in policy away from rental towards out right ownership.



### 32. Pensions

The Council participates in the national Local Government Pension Scheme which is a funded defined benefit (final salary) scheme and which also provide historic unfunded discretionary benefits, both of which are administered by Cambridgeshire County Council. With the funded scheme, the Council (the employer) and employees both pay contributions into the pension fund with the employer's contribution calculated every three years at a level intended to balance the scheme assets and liabilities over a twenty year period.

The transactions below have been made in the CIES during the year.

	31 March	
	2019 £000	2018 £000
<b>Comprehensive Income and Expenditure Statement</b>		
Service Cost	6,242	5,198
Net Interest Charged	1,576	1,510
<b>Net Charge made to the CIES</b>	<b>7,818</b>	<b>6,708</b>
<b>Re-Measurements in Other Comprehensive Income</b>		
Return on Fund Assets in Excess of Interest	(4,080)	403
Changes in Financial Assumptions	13,325	(3,002)
<b>Re-Measurement of the Net Assets / (Defined Liability)</b>	<b>9,245</b>	<b>(2,599)</b>
<b>Pension Assets and Liabilities Recognised in the Balance Sheet</b>		
Present Value of the Funded Obligation	179,602	159,131
Present Value of the Unfunded	2,035	2,110
Fair Value of Scheme Assets	(111,089)	(103,562)
<b>Net Liability in the Balance Sheet</b>	<b>70,548</b>	<b>57,679</b>

#### Reconciliation of the fair value of the Scheme Liabilities

	Unfunded Liabilities		All Funded and Unfunded Liabilities	
	2019 £000	2018 £000	Local Govt Pension Scheme	
	2019 £000	2018 £000	2019 £000	2018 £000
Net pensions liability at 1 April	(2,110)	(2,180)	(161,241)	(158,211)
Interest Cost	(41)	(48)	(4,380)	(4,135)
Change in Financial Assumptions	-	-	(13,325)	3,002
Change in Other Assumptions	-	-	53	(3)
Current Service Cost	-	-	(5,700)	(5,169)
Past Service Cost Including Curtailments	-	-	(542)	(29)
Contributions by Scheme Participants	-	-	(954)	(842)
Estimated Benefits Paid	116	118	4,452	4,146
<b>Net Pension Liability at 31 March</b>	<b>(2,035)</b>	<b>(2,110)</b>	<b>(181,637)</b>	<b>(161,241)</b>

	31 March	
	2019 £000	2018 £000
<b>Reconciliation of the fair value of the Scheme Assets</b>		
Fair Value of the Plan Assets at 1 April	103,562	100,715
Interest on Assets	2,804	2,625
Return on Assets less Interest	4,027	(400)
Employer Contributions including Unfunded	4,194	3,808
Contributions by Scheme Participants	954	842
Benefits Paid	(4,336)	(4,028)
Contribution in respect of unfunded benefits	(116)	-
<b>Fair Value of the Plan Assets at 31 March</b>	<b>111,089</b>	<b>103,562</b>

#### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The last triennial valuation was completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public pensions Services Act 2013. Under the Act, the local Government pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The estimated contributions by the employer in 2018-19 are £4,078,000 (£3,773,000 2017-18).

#### 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 the assumptions about mortality rates, salary levels etc.

Both the Local Government pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full (triennial) valuation of the scheme as at 31 March 2019.

#### The principal assumptions used by the actuary have been:

##### Mortality Assumptions

Longevity at 65 for current pensioners in years:

\* Men

\* Women

Longevity at 65 for future pensioners in years:

\* Men

\* Women

Rate of increase in salaries

Rate of increase in pensions

Rate for discounting scheme liabilities

	2019	2018
* Men	22.4	22.4
* Women	24.4	24.4
* Men	24.0	24.0
* Women	26.3	26.3
Rate of increase in salaries	2.8%	2.7%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.7%

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



The Scheme's assets consist of the following categories, by proportion of the total assets held

	2018/19			2017/18		
	Quoted active market £'000	Quoted non-active market £'000	Total £'000	Quoted active market £'000	Quoted non-active market £'000	Total £'000
Cash and cash equivalents	1,376	-	1,376	3,334	-	3,334
<i>Equity inst: by industry type</i>						
Consumer	3,356	-	3,356	2,876	-	2,876
Manufacturing	1,999	-	1,999	1,860	-	1,860
Energy and Utilities	2,333	-	2,333	2,229	-	2,229
Financial Institutions	4,176	-	4,176	4,463	-	4,463
Health and Care	672	-	672	1,099	-	1,099
Information	591	-	591	489	-	489
Sub-total equity	13,128	-	13,128	13,015	-	13,015
<i>Debt Securities: by sector</i>						
Corporate Bonds (inv. grade)	-	-	-	-	-	-
Corporate Bonds (non-inv. grade)	-	-	-	-	-	-
UK Government	-	2,756	2,756	-	2,611	2,611
Other	-	-	-	-	-	-
Sub-total bonds	-	2,756	2,756	-	2,611	2,611
<i>Property: by type</i>						
UK Property	-	-	-	-	-	-
Overseas Property	-	-	-	-	-	-
Sub-total property	-	-	-	-	-	-
<i>Private Equity:</i>						
All (UK & Overseas)	-	8,411	8,411	-	9,606	9,606
Sub-total private equity	-	8,411	8,411	-	9,606	9,606
<i>Inv. Funds and Unit Trusts</i>						
Equities	-	62,231	62,231	-	57,353	57,353
Bonds	-	10,323	10,323	-	10,408	10,408
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	4,624	4,624	-	-	-
Other	-	8,241	8,241	-	7,235	7,235
Sub-total other investment funds	-	85,419	85,419	-	74,996	74,996
<i>Derivatives:</i>						
Foreign exchange	-	-	-	-	-	-
Sub-total derivatives	-	-	-	-	-	-
<b>Total</b>	<b>14,503</b>	<b>96,586</b>	<b>111,089</b>	<b>16,349</b>	<b>87,213</b>	<b>103,562</b>

Fair value of scheme assets	31 March	
	2019 %	2018 %
Equity Instruments:		
Equity Securities	11.8%	12.6%
Private equity	7.6%	9.3%
Debt Securities	2.5%	2.5%
Investment funds and Unit Trusts	76.9%	72.4%
Cash and cash equivalents	1.2%	3.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2017 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

#### Sensitivity Analysis as at 31 March 2019

	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	
<b>Adjustment to Discount Rate</b>			
Present Value of Total Obligation	18,486	181,637	10%
<b>Adjustment to Long Term Salary Increase</b>			
Present Value of Total Obligation	2,407	181,637	1%
<b>Adjustment to Pension Increases and Deferred Revaluation</b>			
Present Value of Total Obligation	15,791	181,637	9%

#### Sensitivity Analysis as at 31 March 2018

	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	
<b>Adjustment to Discount Rate</b>			
Present Value of Total Obligation	15,652	161,241	10%
<b>Adjustment to Long Term Salary Increase</b>			
Present Value of Total Obligation	2,142	161,241	1%
<b>Adjustment to Pension Increases and Deferred Revaluation</b>			
Present Value of Total Obligation	13,322	161,241	8%

### 33. Nature & Extent of Risks Arising from Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Council has the following financial instruments:

- Financial liabilities: creditors and borrowings
- Financial assets: investments and debtors comprising bank deposits, trade receivables, investments, shares and long term mortgages

The Council has given interest free loans, repayable on the sale/transfer of charged properties, which have not been classified as financial instruments. These loans are included in the balance sheet as long term debtors', the outstanding amount was £329k as at 31 March 2019 (£329k in 2017-18). No such loans have been made since 2012-13.



The Council's activities expose it to a variety of financial risks, the key risks are:

- 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 rate movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised as deposits are only made with banks and financial institutions which are included as counterparties in the Council's Investment Strategy, which regards the successful identification, monitoring and control of risk to be the prime criteria. The Council has a policy of tiered maximum investments with the up-most limit not more than £10.0 million of its surplus balances to any one institution. With no historical experience of default, the exposure to credit risk on bank deposits and investments is not considered material. The main exposure to credit risk relates to housing rents where a provision for bad debts is made.

Where sums are owed by the Council's customers and contractual debtors the Council makes provision for doubtful debt, detailed in Note 16, based on an assessment of the risks for each type and the age of those debts, the Council does not generally extend credit beyond 21 days.

#### Debtors

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

	2018/19		
	Business Rates Appeals £000	Customer Debt £000	Other Debtors £000
Balance at 1st April	(2,839)	(1,963)	(855)
Adjustment	-	(27)	343
Additional provisions	(853)	(129)	(539)
Amounts used	189	253	434
<b>Balance at 31st March</b>	<b>(3,503)</b>	<b>(1,866)</b>	<b>(617)</b>

	2017/18		
	Business Rates Appeals £000	Customer Debt £000	Other Debtors £000
Balance at 1st April	(2,827)	(1,966)	(800)
Additional provisions	(303)	0	(285)
Amounts used	291	3	230
<b>Balance at 31st March</b>	<b>(2,839)</b>	<b>(1,963)</b>	<b>(855)</b>

The Council does not usually extend credit beyond 21 days. At 31 March 2019, of the system debtors balance of £1.0m (£2.2m at 31 March 2018) the past due amount was £0.490 million and can be analysed as follows:

	31 March	
	2019 £000	2018 £000
<b>Customer Debts:</b>		
Over 21 days but less than 3 months	98	51
More than 3 months	392	342
<b>Fair Value of the Plan Assets at 31 March</b>	<b>490</b>	<b>393</b>

## Investments

The risk is minimised through the Annual Investment Strategy, which requires that deposits are made with Debt Management Office, other local authorities, AAA rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. A limit of £10m is placed on the amount of money that can be invested with a single counterparty excepting UK Central Government which is unlimited. The Council also sets a total group investment limit (£10m) for institutions that are part of the same banking group.

The table below summaries the nominal value of the Council's investment portfolio at 31 March 2019, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

The amounts below include the money market fund which is included in cash and cash equivalents.

### Balances Invested as at 31 March 2019

	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	YES	-	-	-	18,075	-	18,075
Building Soc.	YES	-	2,000	-	1,000	-	3,000
S. Cambs Ltd	YES	-	-	-	-	58,653	58,653
Housing Assoc.	YES	-	1,000	4,000	-	-	5,000
Local Auth.	YES	-	-	4,500	-	-	4,500
CLIC (new)	YES	-	-	-	-	1,255	1,255
Money Market	YES	7,175	-	-	-	-	7,175
<b>Total</b>		<b>7,175</b>	<b>3,000</b>	<b>8,500</b>	<b>19,075</b>	<b>59,908</b>	<b>97,658</b>

CLIC- Cambridge Leisure and Ice Centre.

### Balances Invested as at 31 March 2018

	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	YES	1,500	4,500	11,000	8,500	-	25,500
Building Soc.	YES	-	3,000	5,000	-	-	8,000
S. Cambs Ltd	YES	-	-	-	-	35,506	35,506
Housing Assoc.	YES	-	1,000	4,000	-	-	5,000
Local Auth.	YES	4,000	-	-	-	-	4,000
Money Market	YES	3,425	-	-	-	-	3,425
<b>Total</b>		<b>8,925</b>	<b>8,500</b>	<b>20,000</b>	<b>8,500</b>	<b>35,506</b>	<b>81,431</b>

## Liquidity Risk

All trade and other payables are due to be paid in less than one year. The PWLB loans have maturities of between 25 and 45 years as detailed in Note 13, interest being paid half yearly, a Repayment Reserve being used to manage the future repayment of principal.

## Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments as most investments are at fixed rates. Movement in interest rates can have an impact on the Council's interest receipts from investments; for example, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall (but the carrying amount will not change)

As most investments are at fixed rates, a sensitivity analysis for interest rate changes has not been carried out.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget which is used to update the Council's medium term financial strategy periodically during the year, this allows any adverse changes to be accommodated.



#### Price Risk

The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price variations.

#### Foreign Exchange Risk

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

### 34. Capital Commitments

Material capital commitments as at 31 March 2019 were £9.047 million on Housing (£2.763m as at 31st March 2018). The significant increase year on year is due to new capital contracts begun in 2018/19 in Waterbeach, Great Abington and Hardwick.

### 35. Assets Held for Sale

	2019 £000	2018 £000
<b>Cost or valuation</b>		
<b>At 1 April</b>	2,076	1,154
Adjustments	(356)	
<b>Restated as at 1 April 2018</b>	1,720	1,154
Additions	-	155
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	1,027
Revaluation increases / (decreases) recognised in the CIES	(112)	(107)
Derecognition - Disposals	(534)	(138)
Other movements / reclassifications within assets	1,048	(15)
<b>At 31 March</b>	<b>2,123</b>	<b>2,076</b>

During 2017-18 the Council procured and implemented a new asset management system called "Asset Manager System" supplied by The Chartered Institute for Public Finance and Accounting.

The first year of full use was in 2018-19. A detailed review of the Council's asset data was carried out prior to the implementation of the system to ensure that the data imported was accurate and complete.

This review identified that a number of adjustments were required to bring the opening 2018/19 position in the statement of accounts in line with the correct position as reflected in the new CIPFA AMS fixed asset register. The adjustment reflected in the note below is made up of the following:-

£356k Reclassification of re-purchased general fund equity share properties from Assets Held for Sale to Council Dwellings – General Fund.

### 36. Intangible Assets

	2019 £000	2018 £000
<b>At 1 April</b>	494	184
Additions- Purchase only	117	-
Amortisation	(129)	(77)
Other movements / reclassifications within assets (from VPE 2017/18)	-	387
<b>At 31 March</b>	<b>482</b>	<b>494</b>

### 37. Contingencies

There were no material contingent assets or liabilities to report for the Council as at 31 March 2019.

## Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year for providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	Note	2018/19 £000	Restated 2017/18 £000
<b>Income</b>			
Dwelling Rents	H3	(28,082)	(28,132)
Non Dwelling Rents		(425)	(412)
Charges for Services and Facilities		(1,941)	(2,058)
<b>Contributions towards expenditure:</b>			
* General Fund		(83)	(121)
* Other Sources		(2)	(29)
<b>Total Income</b>		<b>(30,532)</b>	<b>(30,752)</b>
<b>Expenditure</b>			
Repairs and Maintenance		3,950	3,781
<b>Supervision and Management:</b>			
* General		2,583	2,819
* Repairs and Maintenance		1,365	1,235
* Special Services		1,763	2,037
Rents, Rates and Other Charges		170	181
<b>Depreciation and Amortisation:</b>			
* Depreciation	H8/9	6,634	6,260
* Revaluation		8,393	1,555
Treasury Management Costs		8	-
Inc./(Dec.) Provision for Bad/Doubtful Debts		104	79
<b>Total Expenditure</b>		<b>24,970</b>	<b>17,947</b>
<b>Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement</b>		<b>(5,562)</b>	<b>(12,805)</b>
HRA services share of Corporate Expenses		1,170	733
HRA services share of Other Services (mortgage interest)		-	-
<b>Net Cost / (Income) of HRA Services</b>		<b>(4,391)</b>	<b>(12,072)</b>
<b>HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement</b>		<b>(4,391)</b>	<b>(12,072)</b>
Loss/(Gain) on Sale of HRA Non-Current Assets	H10	(2,898)	(1,391)
Interest Payable and similar charges		7,193	7,193
Interest and Investment Income		(760)	(546)
Pensions Interest / Return on Assets		201	213
Capital Grants and Contributions	H10	(751)	(522)
<b>(Surplus) / Deficit for the Year on HRA Services</b>		<b>(1,406)</b>	<b>(7,125)</b>



## Movement on Housing Revenue Account Statement

The Housing Revenue Income and Expenditure Statement shows the Council's actual financial performance for the year in managing its housing stock, measured in terms of the resources consumed and generated over the last twelve months. However,

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the Government is treated as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than from council tax
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits earned

The Housing Revenue Account Statement compares the Council's spending against the Income that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for the future.

This reconciliation statement summarises the differences between the outturn in the Housing Revenue Income and Expenditure Statement and the Housing Revenue Account balance.

Note 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

<b>Increase / decrease in the Housing Revenue Account Balance</b>	<b>Note</b>	<b>2018/19 £000</b>	<b>Restated 2017/18 £000</b>
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(1,406)	(7,125)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	<b>H10</b>	1,487	12,891
Transfers to/from Earmarked Reserves	<b>H10</b>	0	0
<b>(Increase) / decrease in the Housing Revenue Account Balance</b>		<b>81</b>	<b>5,766</b>
Housing Revenue Account Surplus Brought Forward		(3,226)	(8,992)
<b>Housing Revenue Account Surplus Carried Forward</b>		<b>(3,145)</b>	<b>(3,226)</b>

\*Further details of the 2017/18 restatement are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading

## H1. Housing Stock Volumes

The Housing Revenue Account includes all the expenditure and income associated with the following stock of Housing Revenue Account dwellings:

	2018/19			2017/18	
	Conv- ersion	Additions	Disposals	Total	Total
1 Bedroom	0.00	12.30	(3.10)	1,057.00	1,047.80
2 Bedroom	0.00	23.00	(7.35)	2,339.69	2,324.04
3 Bedroom	0.00	5.00	(12.48)	1,855.08	1,862.56
4+ Bedroom	0.00	0.00	0.00	73.00	73.00
	<b>0.00</b>	<b>40.30</b>	<b>(22.93)</b>	<b>5,324.77</b>	<b>5,307.40</b>

	31 March	
	2019 £000	2018 £000
Stock (Whole Property Equivalent) as at 1 April	5,307.40	5,335.10
Less: Sales (Right to Buy)	(15.00)	(20.00)
Stock Transfers /	0.00	0.00
Other Movements	(7.93)	(23.00)
New Properties	40.30	15.30
<b>Stock as at 31 March</b>	<b>5,324.77</b>	<b>5,307.40</b>
Number: Houses and Bungalows	5,071.27	5,072.90
Flats and Maisonettes	253.50	234.50
Other	0.00	0.00
<b>Stock as at 31 March</b>	<b>5,324.77</b>	<b>5,307.40</b>

## H2. Housing Stock Values

The total balance sheet values of dwellings and other property and land within the HRA are;

	31 Mar 2019		31 Mar 2018	
	Asset Value £000	Depre- ciation £000	Asset Value £000	Depre- ciation £000
Council Dwellings (HRA only)	463,893	(6,562)	479,761	(6,260)
Depreciation adj. on revaluation	0	6,562	0	6,260
OL&B, AuC, AHfS and VPE	18,547	(58)	10,434	(70)
Depreciation adj. on revaluation	0	58	0	70
Surplus assets held	2,731	0	152	0
Infrastructure	117	(15)	131	0
	<b>485,288</b>	<b>(15)</b>	<b>490,478</b>	<b>0</b>



In 2018-19, depreciation on buildings is based on the asset lives as assessed by the Council's appointed valuers, Wilks, Head and Eve. Land is not depreciated. The dwellings are valued in accordance with Guidance on Stock Valuation for Resource Accounting issued by the Office of the Deputy Prime Minister. This requires the dwellings to be valued at open market value with vacant possession, which is then adjusted to reflect tenancies at less than open market rents by using an adjustment factor based on the ratio of local authority rents to open market rents for the relevant region. The adjustment factor for the eastern region is 38%.

The value of council dwellings (Housing Revenue Account) at 31 March 2019, based on vacant possession, was £464.449m.

### H3. Gross Dwelling Rent Income

During 2018/19 0.95% (1.10% in 2017/18) of all lettable dwellings were vacant. Average rents were £103.67 (£102.69 in 2017/18) per week including affordable rents, an increase of £0.98 or 0.95% (£1.01 or 0.97% decrease in 2017/18) on the previous year. 51.68% (55.39% in 2017/18) of all Council tenants received some help through rent rebates in 2018/19. Rent arrears increased to £576,934 (£529,583 in 2017/18), which represents 2.05% (1.88% in 2017/18) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £414,969 (£352,054 in 2017/18). Amounts written off during the year totalled £41,120 (£26,805 in 2017/18). Dwelling rents are shown after allowing for voids.

### H4. Rent Arrears on Dwellings

	31 March	
	2019 £000	2018 £000
Arrears	577	530
Provision for uncollectable amounts	(415)	(352)
Arrears as a percentage of gross rents collectable	2.05%	1.80%

### H5. Pensions

This contribution, shown in the Statement of Movement on the Housing Revenue Income and Expenditure Account, reverses out the pensions liabilities apportioned to net operating expenditure and adds back in the payments to the pension scheme so that the adoption of International Accounting Standard 19 (IAS 19) Employee Benefits has no effect on the deficit/surplus for the year. In view of the uncertainty over future pension costs, an additional percentage of pensionable pay has been charged against the Housing Revenue Account and placed in a reserve for use in future years (Note 32).

### H6. Housing Revenue Account Capital Receipts

The Council received £5,441,825 (£3,949,626 in 2017/18) in respect of HRA capital receipts during 2018/19. This arose as a result of the sale of council houses £4,875,075 (£3,826,440 in 2017/18), and sale of Land £566,750 (£123,286 in 2017/18). Of this the Council had £2,122,454 (£2,316,170 in 2017/18) available for house building projects and £19,571 (£39,334 in 2017/18) for the administration of the sales which left £2,863,411 (£1,101,913 in 2017/18) to fund other capital projects and pay the central government pool an amount of £523,381 (£492,209 in 2017/18).

## H7. Capital Expenditure, Financing and Receipts

Capital expenditure and financing relating to the HRA during the financial year was:

	31 March	
	2019 £000	2018 £000
<b>Opening capital financing requirement</b>	204,429	204,429
Expenditure:		
* Acquisition and Improvement of land	92	156
* New build- dwellings	8,040	5,883
* Re-provision of existing dwellings	799	1,343
* Acquisition of existing dwellings	54	1,134
* Improvement of housing stock and other buildings	6,639	8,456
Financing:		
* Capital receipts and contributions	(2,881)	(4,180)
* Revenue #	(6,404)	(6,010)
* Grants and Reserves	(751)	(522)
* Major Repairs Allowance	(6,634)	(6,260)
* GF Internal Financing	0	0
<b>Closing capital financing requirement</b>	<b>203,384</b>	<b>204,429</b>

# In addition, £205k was spent relating to HRA contribution to cap. expenditure on IT & software.

Capital receipts relating to the HRA during the financial year were:

	31 March	
	2019 £000	2018 £000
Sale of Land	567	123
Sale of Dwelling:		
* Right to Buy	2,739	3,535
* Other	2,136	292
	<b>5,442</b>	<b>3,950</b>

## H8. Major Repairs Reserve

Previously, within the housing subsidy scheme, there was an annual allowance for major repairs which could only be used for expenditure on major repairs and/or improvements to Housing Revenue Account dwellings. The housing subsidy scheme and, therefore the Major Repairs Allowance, ceased at the end of 2011/12 with the advent of the Self Financing regime. In 2012/13 the Council was required to charge the Housing Revenue Account a notional amount for depreciation; calculated in a similar way to the major repairs allowance. The notional depreciation charge is reserved to fund similar major repairs and improvement works. The transition period continued until the end of 2016/17, with a full depreciation charge equivalent to the whole capital adjustment transfer being charged to the Housing Revenue Account from 2017/18 onwards.



	2018/19		2017/18	
	£000	£000	£000	£000
<b>Balance as at 1 April</b>		-		-
Transfer to Capital Adjustment Account	(6,634)		(6,260)	
Amount trans. to Statement of Movement on HRA	-		-	
HRA capital exp. charged to Major Repairs	6,634		6,260	
<b>Total Expenditure</b>		-		-
<b>Balance as at 31 March</b>		-		-

### H9. Impairments

Impairment is a reduction in the value of non-current assets. When this occurs through the clear consumption of economic benefit or through market value reduction, it has been identified and is written off against any revaluation gains in the Revaluation Reserve for that group of assets until the gain is reduced to zero and then any balance is charged to Housing Revenue Income and Expenditure Account.

### H10. Note of Reconciling Items for the Statement of Movement on HRA Balance

	2018/19 £000	2017/18 £000
<b>(Surplus)/Deficit for the year on the HRA Income and Exp. Account</b>	<b>(1,406)</b>	<b>(13,996)</b>
(Loss)/Gain on sale of HRA non-current assets	2,898	1,391
HRA share of contributions to the Pensions Reserve	(462)	(459)
Reversal of Depreciation & Impairment	-	-
Depreciation	(6,634)	(6,260)
Revaluation	(8,393)	5,316
Capital Grants and Contributions	751	522
Transfer from Major Repairs Reserve	6,634	6,260
Capital expenditure funded by the HRA	6,693	6,121
<b>Adjustments between accounting basis and funding basis under statute (including to or from reserves)</b>	<b>1,487</b>	<b>12,891</b>
<b>Net increase/(decrease) before transfers to/from reserve</b>	<b>81</b>	<b>(1,105)</b>
Transfers To Earmarked Reserves	-	-
<b>Dec/(inc) in the HRA balance for the year</b>	<b>81</b>	<b>(1,105)</b>
HRA balance brought forward	(10,097)	(8,992)
<b>HRA balance carried forward</b>	<b>(10,016)</b>	<b>(10,097)</b>

## The Collection Fund

This account reflects the statutory requirement for the Council, as the billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates).

	Note	2018/19			2017/18		
		Non Domestic Rates	Council Tax	Collection Fund Total	Non Domestic Rates	Council Tax	Collection Fund Total
		£000	£000	£000	£000	£000	£000
<b>Income</b>							
Council Tax	CF1	-	(108,517)	(108,517)	-	(101,605)	(101,605)
Non Domestic Rates	CF2	(89,604)	-	(89,604)	(80,348)	-	(80,348)
<b>Total Income</b>		<b>(89,604)</b>	<b>(108,517)</b>	<b>(198,121)</b>	<b>(80,348)</b>	<b>(101,605)</b>	<b>(181,953)</b>
<b>Expenditure</b>							
<i>Apportionment of previous years surplus/(deficit)</i>							
Central Government		3,899	-	3,899	1,897	-	1,897
Cambridgeshire County Council		702	542	1,244	341	255	596
Cambridgeshire & Peterborough Fire Authority		78	30	108	38	14	52
Cambridgeshire Police and Crime Commissioner		-	85	85	-	40	40
South Cambridgeshire District Council		3,119	99	3,218	1,518	47	1,565
<b>Precepts and Demands</b>							
Central Government		40,334	-	40,334	34,014	-	34,014
Cambridgeshire County Council		7,260	76,752	84,012	6,160	72,444	78,604
Cambridgeshire & Peterborough Fire Authority		807	4,223	5,030	684	4,064	4,748
Cambridgeshire Police and Crime Commissioner		-	12,203	12,203	-	11,365	11,365
South Cambridgeshire District Council		32,266	8,617	40,883	27,378	8,187	35,565
Special Expenses- Parish Precepts		-	5,397	5,397	-	5,089	5,089
<b>Charges to the Collection Fund</b>							
Write Offs / (write backs)		-	14	14	-	20	20
BDP charge for the year		106	96	202	167	130	297
Provision for Appeals		1,659	-	1,659	33	-	33
Cost of Collection Allowance		231	-	231	230	-	230
Adjustment		-	-	-	558	(90)	468
Disregarded Amounts		1,756	-	1,756	1,865	-	1,865
<b>Total Expenditure</b>		<b>92,216</b>	<b>108,059</b>	<b>200,275</b>	<b>74,883</b>	<b>101,565</b>	<b>176,448</b>
<b>Deficit / (Surplus) for the Year</b>		<b>2,612</b>	<b>(458)</b>	<b>2,154</b>	<b>(5,465)</b>	<b>(40)</b>	<b>(5,505)</b>
<b>Balance Brought Forward</b>		<b>(7,944)</b>	<b>(812)</b>	<b>(8,756)</b>	<b>(2,480)</b>	<b>(772)</b>	<b>(3,252)</b>
<b>Balance Carried Forward</b>		<b>(5,332)</b>	<b>(1,270)</b>	<b>(6,602)</b>	<b>(7,944)</b>	<b>(812)</b>	<b>(8,756)</b>

### Collection Fund balances:

Attribution of (surplus) / deficit carried forward:

	2018/19			2017/18		
	Non Domestic Rates	Council Tax	Collection Fund Total	Non Domestic Rates	Council Tax	Collection Fund Total
	£000	£000	£000	£000	£000	£000
<b>Proportional split</b>						
Central Government	(2,666)	-	(2,666)	(3,972)	-	(3,972)
Cambridgeshire County Council	(480)	(909)	(1,389)	(715)	(581)	(1,296)
Cambridgeshire & Peterborough Fire Authority	(53)	(50)	(103)	(79)	(32)	(111)
Cambridgeshire Police and Crime Commissioner	-	(145)	(145)	-	(92)	(92)
<b>Total</b>	<b>(3,199)</b>	<b>(1,104)</b>	<b>(4,303)</b>	<b>(4,766)</b>	<b>(705)</b>	<b>(5,471)</b>
South Cambridge District Council	(2,133)	(166)	(2,299)	(3,178)	(106)	(3,284)
<b>Deficit / (Surplus)</b>	<b>(5,332)</b>	<b>(1,270)</b>	<b>(6,602)</b>	<b>(7,944)</b>	<b>(812)</b>	<b>(8,756)</b>



## CF1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cambridgeshire County Council, Cambridgeshire & Peterborough Police & Crime Commissioner, Cambridgeshire Fire & Rescue Service and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: 61,410.4 for 2018/19, (60,855.4 for 2017/18). The basic amount of Council Tax for a Band D property £1,657.62 for 2018/19, (£1,579.27 for 2017/18) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	-	2	5/9	1.1
Band A	2,505	1,951	6/9	1,300.3
Band B	7,367	6,301	7/9	4,900.9
Band C	20,373	18,448	8/9	16,398.5
Band D	12,343	12,302	9/9	12,302.0
Band E	11,014	10,345	11/9	12,644.3
Band F	7,545	7,182	13/9	10,374.4
Band G	4,287	4,105	15/9	6,842.2
Band H	386	359	18/9	718.0
<b>Total Band D</b>	<b>65,820</b>	<b>60,996</b>		<b>65,481.6</b>
Less Band D equivalents entitled to Council Tax Support				(3,465.3)
MOD contribution				87.2
<b>Total Band D Equivalents</b>				<b>62,103.6</b>
Less Adjustment for Collection Rate		98.94%		(693.2)
<b>Council Tax Base</b>				<b>61,410.4</b>

Income of £108.5m for 2018/19 (£101.6m for 2017/18) was receivable from council tax payers.

## CF2. Non Domestic Rates

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 48p (small business) and 49.3p (others) in 2018/19, (46.6p (small business) 47.9p (others) in 2017/18) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1 April 2013 Business Rates Retention was introduced whereby Local Authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Cambridgeshire County Council (9%) and Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

If the Council increases its business rates base and therefore income it is allowed to retain a proportion of this increased income whilst paying up to 50% to Central Government. This payment is known as a levy payment.

If a reduction of business rates income of more than 7.5% of its funding baseline has occurred then the government will make up any difference between this and the actual loss in the form of a safety net payment.

The total non-domestic rateable value at the year-end was £189,455,311 (£190,101,161 in 2017/18).



## Group Accounts and Consolidation with the Council

The Council has 2 wholly owned subsidiaries South Cambs Limited (Ermine Street Housing) and Shire House Lettings Limited. As a result a set of Group Accounts for the Group as a whole are produced. The Accounts have been consolidated on a line by line basis, as per IFRS10.

The impact of the Companies activities upon the Reserves of the Group are detailed in note G1. Context of Group Accounts and Consolidation with the Council

## Group Comprehensive Income and Expenditure Statement

This statement shows the cost in the year of providing services in accordance with generally accepted accounting practices. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is reflected in the 'Revenue Purpose' column of the Movement In Reserves Statement which shows how the Total Comprehensive Income & Expenditure is allocated to each individual Reserve.

	Note	2018/19			Restated 2017/18		
		Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
<b>Group</b>							
Finance and Staffing		36,898	(33,241)	3,657	33,401	(32,044)	1,357
All other reporting segments (same as Council- Single Entity)		54,860	(45,681)	9,178	42,099	(46,683)	(4,585)
<b>Net Cost of Services</b>		<b>91,758</b>	<b>(78,922)</b>	<b>12,836</b>	<b>75,500</b>	<b>(78,727)</b>	<b>(3,228)</b>
Other Operating Expenditure				2,706			3,599
Financing and Investment Income and Expenditure				7,932			8,264
Taxation and Non-Specific Grant Income				(28,073)			(26,177)
<b>(Surplus) / Deficit on Provision of Services</b>				<b>(4,600)</b>			<b>(17,541)</b>
(Surplus) / Deficit on Provision of Services by group entities				162			-
<b>Group (Surplus) / Deficit on Provision of Services</b>				<b>(4,437)</b>			<b>(17,541)</b>
Other Comprehensive (Income) and Expenditure				19,371			(26,261)
<b>Total Comprehensive Income and Expenditure</b>				<b>14,934</b>			<b>(43,802)</b>

\*Further details of the 2017/18 restatement are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.

## Group Movement in Reserves Statement

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

	General Fund Balance	Ear-marked Reserves (GF)	Housing Revenue Account	Ear-marked Reserves (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Un-applied	Restated South Cambs LTD (Ermine St. Hou)	Shire Homes Lettings	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Movements in 2017/18</b>												
Balance as at 1 April 2017	(9,985)	(17,772)	(8,992)	(9,500)	-	(11,222)	(486)	314	-	(57,643)	(220,341)	(277,984)
Surplus / (Deficit) on Provision of Services	(3,029)	-	(7,123)	-	-	-	-	(1,084)	-	(11,236)	-	(11,236)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(32,628)	(32,628)
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,029)</b>	<b>-</b>	<b>(7,123)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,084)</b>	<b>-</b>	<b>(11,236)</b>	<b>(32,628)</b>	<b>(43,865)</b>
Adjustment Between Accounting and Funding Basis Under Regulations	(2,154)	-	6,019	-	-	1,631	(29)	-	-	5,467	(5,468)	(1)
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>(5,183)</b>	<b>-</b>	<b>(1,104)</b>	<b>-</b>	<b>-</b>	<b>1,631</b>	<b>(29)</b>	<b>(1,084)</b>	<b>-</b>	<b>(5,769)</b>	<b>(38,096)</b>	<b>(43,865)</b>
Transfer to Earmarked Reserves	4,600	(4,599)	-	-	-	-	-	-	-	1	-	1
<b>Increase / (Decrease) in Year</b>	<b>(583)</b>	<b>(4,599)</b>	<b>(1,104)</b>	<b>-</b>	<b>-</b>	<b>1,631</b>	<b>(29)</b>	<b>(1,084)</b>	<b>-</b>	<b>(5,768)</b>	<b>(38,096)</b>	<b>(43,864)</b>
<b>Balance as at 31 March 2018</b>	<b>(10,568)</b>	<b>(22,371)</b>	<b>(10,096)</b>	<b>(9,500)</b>	<b>-</b>	<b>(9,591)</b>	<b>(515)</b>	<b>(770)</b>	<b>-</b>	<b>(63,411)</b>	<b>(258,437)</b>	<b>(321,848)</b>

\*Further details of the 2017/18 restatement are given in the notes to the financial statements on page 18, note A Prior Period Adjustments, under the subheading Property, Plant and Equipment.

<b>Movements in 2018/19</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	(10,568)	(22,371)	(10,096)	(9,500)	-	(9,591)	(515)	(770)	-	(63,411)	(258,437)	(321,848)
Surplus / (Deficit) on Provision of Services	(3,061)	-	(1,406)	-	-	-	-	30	-	(4,437)	-	(4,437)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	19,371	19,371
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,061)</b>	<b>-</b>	<b>(1,406)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>(4,437)</b>	<b>19,371</b>	<b>14,934</b>
Adjustment Between Accounting and Funding Basis Under Regulations	(5,715)	-	1,490	-	-	(1,461)	(143)	-	-	(5,828)	5,829	0
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>(8,776)</b>	<b>-</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>(1,461)</b>	<b>(143)</b>	<b>30</b>	<b>-</b>	<b>(10,266)</b>	<b>25,200</b>	<b>14,935</b>
Transfer to Earmarked Reserves	5,911	(5,911)	-	-	-	-	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(2,865)</b>	<b>(5,911)</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>(1,461)</b>	<b>(143)</b>	<b>30</b>	<b>-</b>	<b>(10,266)</b>	<b>25,200</b>	<b>14,935</b>
<b>Balance as at 31 March 2019</b>	<b>(13,434)</b>	<b>(28,282)</b>	<b>(10,012)</b>	<b>(9,500)</b>	<b>-</b>	<b>(11,052)</b>	<b>(658)</b>	<b>(739)</b>	<b>-</b>	<b>(73,679)</b>	<b>(233,235)</b>	<b>(306,914)</b>



## Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.

	Note	31 March 2019		31 March 2018	
		£000	£000	£000	£000
<b>Long Term Assets</b>					
Property, Plant & Equipment		509,088		521,762	
Investment Properties (Group only)	G2	60,560		36,764	
Intangible Assets		482		494	
Long Term Investments		1,255		50	
Long Term Debtors		970		970	
<b>Total Long Term Assets</b>			<b>572,354</b>		<b>560,040</b>
<b>Current Assets</b>					
Short Term Temporary Investments		30,732		38,695	
Inventories		163		147	
Debtors and Prepayments		9,921		12,239	
Cash & Cash Equivalents		7,866		8,022	
Assets Held for Sale		2,123		2,076	
			<b>50,805</b>		<b>61,179</b>
<b>Current Liabilities</b>					
Creditors		(32,162)		(32,334)	
Short Term Borrowing		(3,000)		-	
Cash & Cash Equivalents		(1,402)		(965)	
Provisions		(3,761)		(3,270)	
			<b>(40,326)</b>		<b>(36,569)</b>
<b>Long Term Liabilities</b>					
Pensions Liability		(70,548)		(57,679)	
Long Term Borrowing		(205,123)		(205,123)	
Long Term Provisions (Tax) (Group only)		(249)		-	
			<b>(275,920)</b>		<b>(262,802)</b>
<b>Total Assets Less Liabilities</b>			<b>306,913</b>		<b>321,848</b>
<b>Reserves</b>					
Usable Reserves		73,679		63,001	
Unusable Reserves		233,234		258,847	
<b>Total Reserves</b>			<b>306,913</b>		<b>321,848</b>

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Net Surplus/(Deficit) on Provision of Services	4,437	17,602
Adjustments to net surplus or deficit on the provision of services for non-cash movements	26,056	10,376
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,440)	(9,381)
	<b>26,054</b>	<b>18,597</b>
Net cash flows from Operating Activities	26,054	18,597
Investing Activities	(24,548)	(22,362)
Financing Activities	(2,100)	4,265
<b>Net Increase or (Decrease) in cash and cash equivalents</b>	<b>(593)</b>	<b>500</b>
Cash and Cash Equivalents at the beginning of the reporting period	7,057	6,557
<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>6,464</b>	<b>7,057</b>



# Group Notes to the Statement of Accounts

## G1. Context of Group Accounts and Consolidation with the Council

The Council has 2 wholly owned subsidiaries South Cambs Limited (Ermine Street Housing) and Shire House Lettings Limited. As a result a set of Group Accounts for the Group as a whole are produced. The Accounts have been consolidated on a line by line basis, as per IFRS10.

The impact of the Companies activities upon the Reserves of the Group are as follows;

	<b>31 Mar 18</b> <b>£000</b>	<b>Movement</b> <b>£000</b>	<b>31 Mar 2019</b> <b>£000</b>
Turnover		(4,098)	
Service Expenses		2,529	
Interest Payable		1,751	
Int. and Inv. Income Receivable		(3)	
Gain/Loss on FV of Inv. Properties		(311)	
Tax Liability		162	
Useable Reserves	(770)	30	(739)
Un-Useable Reserves	-	-	-
<b>Total company reserves position of Group Balance Sheet</b>	<b>(770)</b>	<b>30</b>	<b>(739)</b>
Represented by:			
South Cambs LTD	(770)	30	(739)
Shire Homes Lettings LTD	-	-	-
<b>Total company reserves position of Group Balance Sheet</b>	<b>(770)</b>	<b>30</b>	<b>(739)</b>

The Assets & Liabilities of the Company's at the Balance Sheet Date are as follows:

	<b>Ermine Street</b> <b>£000</b>	<b>Shire Homes</b> <b>£000</b>	<b>Inter Company</b> <b>£000</b>	<b>31 Mar 2019</b> <b>£000</b>
Property, Plant, Equipment	293	-	-	293
Investment Properties	60,560	-	-	60,560
Company Share Capital - Council	739	-	-	739
Short Term Debtors & Cash	686	91	(30)	747
Short Term Creditors	(51,836)	(91)	51,141	(786)
Long Term Borrowing	(8,716)	-	8,716	-
Long Term Provisions (Tax)	(249)	-	-	(249)
<b>Total assets net of Council share</b>	<b>1,478</b>	<b>-</b>	<b>59,827</b>	<b>61,306</b>

## G2. Investment Properties

The group balance sheet includes properties which have been purchased by South Cambs Ltd for the purpose of earning rentals or for capital appreciation or both, properties for refurbishment, improvement and resale are classified as stock in hand and are included within Inventories.

The Council carries out a programme that ensures that all Investment Property are valued annually, at the end of each reporting period. Property, Plant and Equipment is required to be measured at fair value and is re-valued at least every five years.

Valuations on the bases set out in the statement of accounting policies have been carried out for:

Investment Property assets relating to South Cambs Limited as at 31 March 2019 by Wilks, Head and Eve , Professional Valuers

The following items of income and expense have been accounted for in respect of Investment Properties and have been recognised in the company Income and Expenditure Account and Group comprehensive income and expenditure account.

	2018/19	2017/18
Rental Income	(3,775)	(2,638)
Direct Expenses	2,789	1,770
<b>Total</b>	<b>(985)</b>	<b>(868)</b>

stated in the balance sheet for non-current assets may not be realisable, as at the balance sheet date.

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

	2018/19 £000	2017/18 £000
<b>As at 1st April</b>	36,763	24,412
Reallocation of Investment Properties to Inventories	-	119
Acquisitions	23,485	11,146
Disposals	-	(265)
Reval inc/(dec) recognised in CIES	311	1,351
<b>As at 31st March</b>	<b>60,559</b>	<b>36,763</b>
<b>Fair Value</b>		
<b>At 1st April</b>	<b>36,763</b>	<b>24,412</b>
<b>At 31st March</b>	<b>60,559</b>	<b>36,763</b>



### **Fair Value Measurement of Investment Properties**

Investment properties are held at fair value. Investment properties are classified as Level 2 within the value hierarchy as defined within IFRS13. Level 2 inputs used in valuing the properties are those which are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

#### **The portfolio is valued in line with the accounting policy.**

The valuation is undertaken by the Professional Valuer, Wilks, Head and Eve, on a fair value basis in line with IFRS13 and in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Valuation-Professional Standards.

South Cambs Limited provides data to the valuer including current lease and tenant data. These valuations and the assumptions they have made have been discussed with officers representing the company. The valuation technique applied in respect of Investment Property is the market approach. The market approach is described at paragraphs B5 to B7 of IFRS13; it uses prices and other relevant information generated by market transactions involving identical or comparable assets.

There has been no change in the valuation technique used during the year for investment properties.

### **G3. Loans and Investments**

The Council has undertaken fixed term investments of £58.653m (£35.506m 2017/18) with South Cambs Ltd a corresponding liability transaction has been shown on the balance sheet of South Cambs Ltd these transactions have been eliminated in the group accounts.

### **G4. Leases**

There were no finance lease agreements during 2018/19.

The Council has no operating leases. Payments of £84,719 in respect of vehicle contract hire were made in 2018/19 (£599,462 in 2017/18). South Cambs Ltd has operating leases with payments of £605,090 in 2018/19 (£594,224 in 2017/18) in respect of property leases. Shire Homes Lettings Limited had payments of £172,516 in 2018/19 (£20,929 in 2017/18) in respect of property leases.

The future minimum contract hire payments due under non-cancellable agreements in future years are:

	<b>SCDC Ltd</b>	<b>Shire Homes</b>	<b>31 Mar 2019</b>	<b>31 Mar 2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than 1 year	494	203	696	652
Later than 1 year, not later then 5 years	399	123	521	884
Later than 5 years	-	-	-	-
<b>Total</b>	<b>892</b>	<b>326</b>	<b>1,218</b>	<b>1,536</b>

#### **G5. Related Party Transactions**

The Council has two subsidiary companies wholly owned by the Council, South Cambs Limited (trading as Ermine Street Housing) and Shire Homes Lettings Limited. Transactions between these companies and the Council are accounted within the Councils group accounts. Council employee Mike Hill (unpaid) and Councillors Ian Sollom and John Batchelor are Directors of Ermine Street Housing. Council employee Heather Wood (unpaid) is Director of Shire Homes Lettings Limited.



# Annual Governance Statement

## Covering Introduction

This is a covering introduction for the Annual Governance Statement 2018/2019 (AGS), recognising the delay in concluding the accompanying Statement of Accountants.

The Chartered Institute of Public Finance and Accountancy (CIPFA), in conjunction with the Society of Local Authority Chief Executives (SOLACE), have produced a framework for delivering good governance in local government. The framework guidance "Delivering Good Governance in Local Government Framework 2016" is used as a guide in compiling the AGS. Arrangements for compiling the AGS were coordinated through Internal Audit team, with input from the key stakeholders and management.

The draft AGS will be circulated to Members of the Audit & Corporate Governance Committee, in early 2020, for them to review. The draft AGS will be issued to the External Auditors to review as part of the draft Statement of Accounts.

The Accounts and Audit Regulations and the CIPFA guidance establishes that the committee should approve the Annual Governance Statement in advance of the Statement of Accounts. As the final version of the 2017/2018 AGS was approved in December 2019, and reflects governance issues up to the date of approval, and the draft 2018/2019 was published in January 2020 it important to note:

1. It is good practice to include an action plan which demonstrates how the Council is improving its governance arrangements; and this has not significantly changed since the previous month;
2. Due to the time needed to approve the Statement of Accounts it is possible that further amendments may be required following consultation and review by the externally appointed auditors;

Despite the short period between both the AGS 2017/2018 and AGS 2018/2019 being produced, this still provides an opportunity for the Council to document what has happened in the 2018/2019 financial year, through the Review of Effectiveness.

An updated version of the Annual Governance Statement will be presented to the Committee with the Statement of Accounts.

The final version of the AGS, will accompany the Statement of Accounts for approval by the Committee, as required by the Accounts and Audit Regulations 2015.

## 1. 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

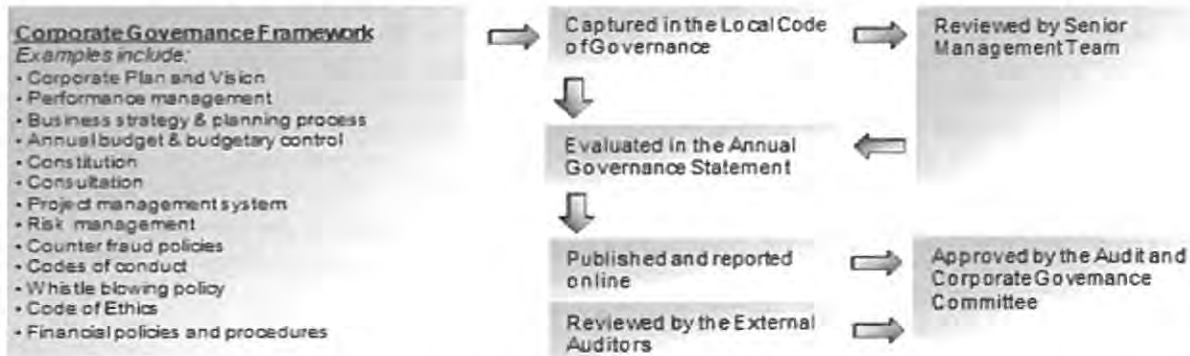
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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 governance framework for the 2018/19 financial year supports the Council aims and objectives, which are published on our website. The Vision states:

- \* Helping businesses to grow;
- \* Building homes that are truly affordable to live in;
- \* Being green to our core;
- \* Putting our customers at the centre of everything we do.

This is supported by our Business Plan which sets out four Priority Areas with specific and measurable actions.

Performance against the Business Plan, is published in the Performance Page of our website.

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, 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



### 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, Medium Term Financial Strategy. Further details are published on our website.
Cabinet	This is the Council's principal decision making body charged with implementing the budget and policy framework agreed by Council. Further details are published on our website.
Executive Management Team	<p>The management team structure includes a strategic Executive Management Team of a Chief Executive and Directors, and is supported by an operational Corporate Management Team. Both teams consider policy formulation and future planning.</p> <p>The Chief Executive, and the Executive Director – Corporate Services, retired during the year. The Council's Director of Health and Environmental Services was appointed to the role of Chief Executive on an interim basis until a new Chief Executive was appointed.</p>
Audit and Corporate Governance Committee	<p>The Audit and Corporate Governance 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 by examining areas such as audit, risk management, internal control, counter fraud and financial accountability.</p> <p>The Committee exists to challenge the way things are being done, making sure the right processes are in place. 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.</p>
Civic Affairs Committee	This committee reviews the Council's Constitution, including proposals for substantive changes for consideration by full Council. It also considers changes to electoral arrangements, setting ethical standards and monitoring the Council's Code of Conduct. Further details are published on our website.
Scrutiny and Overview committee	It monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement. Further details are published on our website.

### 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 Audit & Corporate Governance 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 on-going 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.

## **2. 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:

### **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 Audit & Corporate Governance 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 Audit and Corporate Governance 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

### **External Audit**

Ernst & Young (now EY) are the appointed external auditor. Their results report (ISA260), annual audit letter and annual report on the certification of claims and returns was presented to Audit & Corporate Governance committee.

For 2017-18 EY issued an unqualified audit opinion on the financial statements. In light of the financial reporting challenges the Authority has experienced, EY issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the use of resources.



### **Impact of Coronavirus**

The Covid-19 pandemic has the potential to significantly impact the governance risk and control environment. Immediate impacts could include the Council's decision-making processes, risk management, and the overall capacity and capability of the Council. In the longer term it is also appropriate to consider the impact on our outcomes, financial and organisational resilience, stakeholder engagement and accountability.

The AGS considers the effectiveness of our Code of Governance, both during the financial year plus significant issues up to the time it is approved, and it is appropriate to recognise the longer-term impact of Covid-19.

In response to the pandemic the Council has implemented various measures through its business continuity framework, with continuous risk assessment and risk management in this period. This has helped the Council to maintain governance arrangements. Further specific references, due to the impact of Covid-19, are included below in order to illustrate its impact.

### **3. Progress from the Last Annual Governance Statement**

The Council prepared an Annual Governance Statement for 2017/18 which was approved by the Audit and Corporate Governance Committee in December 2019. This Annual Governance Statement, for the 2018/2019 financial year was drafted in January 2020 and the previous action plan has been updated below, in the Opportunities for Improvement section.

### **4. Review of Effectiveness**

The Council has a positive risk appetite and the governance framework is designed to manage risk to an acceptable level. It provides a reasonable level of assurance, as it is not possible to eliminate all risks which may impact the achievement of its vision, policies, aims and objectives.

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 framework, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates. In addition both the Corporate Management Team and the Audit and Corporate Governance Committee have participated in workshops to help develop the Annual Governance Statement. This helps us to identify what works well, and also opportunities for improvement.

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.

Ongoing good practice is recorded in the Local Code of Governance. Additional examples of good practice from the 2018/19 financial year, and governance issues, considered when completing the review are recorded below as part of the review of effectiveness. The 2018/19 Statement of Accounts was not concluded by the statutory deadline, due to the delay in the previous 2017/18 Statement of Accounts, and the Annual Governance Statement must be approved in advance of the Statement of Accounts. As good practice the Council is also reporting items up to the date that the Statement of Accounts is concluded, and these are also reported separately for clarity. As they relate to the next financial year, they may also feature in the next AGS too.

The Performance Page on the Council's website sets out details of how the examples below have contributed to the delivery of quality services and the Council's Corporate Plan objectives.

Principle	Review of effectiveness for the 1819 Financial Year	Further Progress made to date
A. Behaviour: integrity, ethical values, respect rule of law	<ul style="list-style-type: none"> <li>• The Civic Affairs Committee established a Task and Finish group to undertake a comprehensive review of the Council's Constitution, including its codes and protocols, such as Committee terms of reference, and financial and procurement authorisation levels. This has been recognised within the AGS as an opportunity for improvement.</li> <li>• The Council committed to sign up to the Disability Confident scheme which meets the ambition to be an Employer of Choice for people with disabilities.</li> <li>• Management have provided feedback that the framework of HR Policies supported them to ensure there are high levels of conduct and ethical behaviour, and there are low levels of non-compliance with Policies.</li> </ul>	<ul style="list-style-type: none"> <li>• The final report of the Task and Finish Group was approved by the Civic and Affairs Committee in March 2020.</li> <li>Subsequently full Council accepted the recommendation of Civic Affairs and adopted the revised Constitution, Ethical Handbook, Public Speaking Scheme and Petitions Scheme in May 2020.</li> </ul>
B. Openness & stakeholder engagement	<p>A Business Plan was developed for the 2019-24 period to set priorities for our communities and businesses. This included consultation and was published on our website.</p> <p>Cabinet discussed the decision-making process and the need to evaluate support for the Scrutiny Function.</p> <p>The Council consulted with its customers, including the Localised Council Tax Support Scheme, Greater Cambridge Housing Strategy, Licensing Policy statement, Gambling Act Policy Statement, and the Statement of Community Involvement which sets out the approach to community engagement in planning matters.</p> <p>Council agreed to introduce a twelve-month pilot scheme to allow the public to make written representations at full Council meetings without prior written notice.</p> <p>The Leader organised a series of talks at business breakfasts to enable discussions with local businesses on how the Council could facilitate and support business growth in South Cambridgeshire.</p>	



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C. Defining outcomes - economic, social, environmental	<p>The Business Plan for 2019-24 set priorities for our communities and businesses and was approved at subsequently declared a Council on 21 February 2019. Economic development is an overarching aspect of the plan, as well as housing, making the green agenda part of everything we do, income generation, and using our technology smartly.</p> <p>The Council has agreed to support a transition to “Zero Carbon by 2050 in the next local plan and are prioritising the elimination of single use plastics within the organisation.</p> <p>The Council established a new Climate and Environment Advisory Committee to advise the Portfolio Holder responsible for climate change and environmental sustainability.</p> <p>The Council reviewed its own internal policies, changing internal bins to encourage further recycling and make financial savings.</p> <p>The Council approved the new South Cambridgeshire Local Plan, as part of the development plan, following the Inspectors report. Cabinet adopted a new Local Development Scheme for Greater Cambridge, prepared jointly with Cambridge City Council, confirming the intention to prepare a joint Local Plan for Greater Cambridge, comprising the administrative areas of both Councils and a joint Cambridge Northern Fringe Area Action Plan.</p>
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D. Determine interventions to achieve outcomes	<p>Cabinet considered a report highlighting that South Cambridgeshire District Council faces an exciting but challenging future, operating in an environment with reducing resources and rising customer expectations. Officers had already begun to consider how best to meet these challenges and the report set out the next steps needed to make sure that the Authority was effectively resourced to face the future. Consequently the Council commissioned an independent review of the Council to determine how the Council could best focus on delivering its priorities. This reflects the governance of shared services, having the right skills to be more commercial in our approach, and also investing to deliver a return.</p> <p>Cabinet considered a report examining the justification and scope for a further three-year programme (2019-20 to 2021-22) of Service Support Grant funding of the voluntary and community sector and approved a further 3-year scheme.</p> <p>Council agreed to bring forward lending of £13 million to Ermine Street Housing into 2018/19 by re-phasing the Capital Programme and bringing forward budget from future years to enable the Company to continue the business expansion as agreed by Cabinet and Council in November 2015.</p>
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E. Develop capacity and capability of entity

- There have been various changes to the establishment of the Council, including the retirement of the Chief Executive, the Executive Director (as the responsible new Chief Executive and S151 officer) and resignation of the Executive Director has completed a review of with responsibility for Housing. This has been recognised in the "Role and responsibilities" section of the AGS.
- The Council has now successfully appointed a responsible new Chief Executive and S151 officer) and resignation of the Executive Director has completed a review of the Senior Management team structure.
- Council received a report following the District Council Election, and a new Leader of the Council was appointed for the period 2018-22. Cabinet Members, and their respective roles, were then announced.
- Cabinet considered actions for Task and Finish Groups to develop the entity, which included: regular evaluation of the effectiveness of Member training; streamline representation on outside bodies; review the approach and direction of travel for Member Development; undertake a comprehensive review of the Constitution; and review the Code of Conduct Complaints Procedure.
- Cabinet considered a report outlining a revised Organisational Change policy and procedure. The Council signed up to the Government's Disability Confident scheme.
- The Council approved nominations to South Cambs Trading Ltd and Shire Homes Letting Ltd.

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F. Manage risk & performance, internal control, finance

- Cabinet considered the provisional 2017-18 outturn position statement on General Fund, Housing Revenue Account (HRA) and Capital expenditure, including requests for budget rollovers from 2017-18 to 2018-19; statements on the 2017-18 year-end position plus the Council's corporate objectives and performance indicators, and the Strategic Risk Register.
- An internal audit review of the Risk Management framework was completed. This provided reasonable assurance, concluding that the Council is risk enabled and that risk management and internal controls are embedded. Members attended Risk Management workshops and the Council developed the Strategic Risk Register so that it was aligned to the priorities of the new Business Plan.
- The Council established a time limited cross-party Advisory Group to review and report on the potential impacts of Brexit on South Cambridgeshire and to recommend actions to mitigate those impacts where relevant and appropriate. Cambridge City Council were invited to appoint three representatives to serve as co-opted members. Four priorities were agreed to proactively manage the risks.
- Cabinet approved business plans for each of the shared services and noted the annual reports for the services delivered in partnership.



- The Council proactively wrote of bad debt, as required, also noting the good performance that in the last financial year the Council had ranked 3rd out of 326 local authorities for Council Tax collection and 25th for collection of business rates.
- The Council proactively prepared for the implementation of the General Data Protection Regulations and the new Data Protection Act.
- The Scrutiny and Overview Committee received performance reports on Customer Contact Service, Development Management, Shared Service, plus quarterly Position Statements on Finance Performance and Risk. The quarterly updates were reviewed and now include an "In flight project tracker" to help communicate project management progress.

G. Transparency, reporting, audit, accountability

- The Council received an unqualified opinion on the statement of accounts for 2016/17. The accounts were approved in January 2018, which was later than planned, as final adjustments were completed and the valuation of the housing stock was reviewed.
- External audits were completed on the 2017/18 group accounts, which provided assurance, and this was supplemented by a risk-based program of internal audit work.
- The Council website has been refreshed to make information more accessible to customers and there has been an increase in the use of e-forms. The Council has launched Onevu, which is an 24/7 online customer portal designed to improve business processes and the customer experience.
- Governance change included the Council moving to a system of pre-scrutiny, from post-scrutiny, noting that this would give Members more influence over decisions, policy and strategy. Cabinet members are focussing on priority delivery, rather than service areas, and would take a whole Cabinet approach to decision making. Cabinet meetings would be public and participation by Members and the public would be welcomed.
- Cabinet agreed to publish the South Cambridgeshire Authority Monitoring Report 2017-2018 as part of a Local Plan and Housing Monitoring update.
- For 2017-18 EY issued an unqualified audit opinion on the financial statements. In light of the financial reporting challenges the Authority has experienced, EY issued a qualified report on the arrangements to make secure economy, efficiency and effectiveness in the use of resources.
- There has been a delay to concluding the 2018/19 accounts, and both the Council and the External Auditors are working to conclude these as promptly as possible. This has been recognised and improvement plan.

## 5. Opportunities for Improvement

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, and because the previous AGS has only just been concluded. They address both significant governance issues that have arisen during 2018/19, and forward-looking matters identified for 2018/19. These actions are captured in existing corporate plans and strategies.

Subject	Opportunity	Responsible Officer
Review of Constitution	<p>The Council's Constitution has not been subject to a comprehensive review for some considerable time. The Civic Affairs Committee agreed to establish a Task and Finish Group to undertake a comprehensive review of the Council's Constitution, including its codes and protocols, such as Committee terms of reference, and financial and procurement authorisation levels.</p> <p>The final report of the Task and Finish Group has now been presented to Civic Affairs Committee in March 2020 and approved. Subsequently, full Council accepted the recommendation of Civic Affairs and adopted the revised Constitution, Ethical Handbook, Public Speaking Scheme and Petitions Scheme in May 2020.</p>	Monitoring Officer
Digital Strategy	<p>Recognising that it can be difficult to engage with customers and stakeholders, the Council is developing a digital strategy to help customers self-serve, whilst preserving appropriate channels for those that require them. Examples include "In Touch Project" to improve digital inclusion with Housing tenants and reviewing our "Community Engagement Strategy".</p>	Head of HR and Corporate Services




Statement of Accounts	<p>The Council completes Statement of Accounts, to report Head of Finance and the financial position of the Council, and for both Section 151 Officer 2016/2017 and 2017/2018 these were not approved by the deadline. An earlier timetable for completion was established as part of the Accounts and Audit regulations 2015 which the Council has not been able to complete. In addition, it is recognised that the external auditors have resource challenges and have had to prioritise resource elsewhere. Consequently, this has also impacted upon conclusion of the 2018/2019 accounts.</p> <p>Both the Council and the externally appointed auditors have worked together to conclude these as promptly as possible. It was not possible to meet the deadline, and updates have been regularly communicated to the Audit &amp; Corporate Governance Committee.</p> <p>The external auditors issued an unqualified audit opinion on the financial statements for 2017/2018. However, in light of the financial reporting challenges the Authority has experienced, they issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.</p>
	<p>The Council has been undertaking a 'lessons learned' and risk appraisal to improve the completion process of the 18/19 accounts. The Council has recruited a Principal Accountant, plus a Deputy Head of Finance, and these substantive resources will help manage the process. The draft accounts for 2018/2019 have been completed and are scheduled for audit in October 2020</p>
Review of anti-fraud and corruption policies	<p>The Council completes a continuous review of its counter fraud arrangements based on good practice. Policies are being reviewed to see if any improvements can be adopted, and will be reported to the Audit &amp; Corporate Governance Committee.</p>
Financial Management Systems	<p>The Council is implementing a new Financial Management System, to develop resilience and introduce smarter ways of working. The core system was successfully implemented and is now being used throughout the Council. In addition the Council is implementing a new Asset Management system, which will improve the data management and record keeping.</p>
Control Account Reconciliations	<p>The Council reconciles control accounts to ensure that systems balance. These were not always completed promptly, throughout the year. The Finance team ensured these were completed for the system launch of the new Financial Management System, as data was migrated. Management now have processes in place for monitoring reconciliations. Internal processes will also be reviewed to consider opportunities to simplify the reconciliation process and assist prompt completion.</p>

Organisational Development Strategy	The Council will complete a review of the Organisational Head of HR and Development Strategy, over the current financial year, Corporate Services which will help to improve recruitment and retention of
Complaints management	The Council has a process for responding to complaints. Head of HR and A project is being implemented to help improve our quality Corporate Services and timeliness of complaints handling, and a new system has been implemented. A post implementation review will be completed to quality assure its effectiveness.
Environment	Local Air Quality Management is a statutory obligation for Head of Waste and all Local Authorities. It involves a rolling programme of air Environment quality assessment, impacting on decisions made by all internal and external bodies responsible for transport planning, highways, growth agendas, development plans and environmental protection. The Council is developing a new Air Quality Strategy, which will help to enhance the environment and inform environmental planning.
Procurement best proactive	In March 2019 Cabinet considered a report outlining the Head of Finance and findings of the "Barriers to Council Procurement from Section 151 Officer Small and Medium-sized Enterprises (SMEs) Task and Finish Group" and approved to: <ul style="list-style-type: none"> <li>• review and simplify the tendering documentation for council contracts below the EU Procurement Thresholds;</li> <li>• develop, promote and run a minimum of two procurement workshops for local SMEs during 2019;</li> <li>• investigate how SCDC could increase awareness of contract opportunities locally whilst complying with the UK Regulations; and</li> <li>• review the late payment of invoices with the South Cambridgeshire District Council's accountancy team.</li> </ul> Progress will be reported back to Cabinet in March 2020.

## 6. Conclusion

The Council has in place strong governance arrangements which we are confident protect its interests and provide the 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.

SIGNED: 

**LIZ WATTS**  
CHIEF EXECUTIVE

SIGNED



**COUNCILLOR BRIDGET SMITH**  
LEADER OF THE COUNCIL

Date: 27.3.22

Date: 27-3-22



## **For the purposes of this Statement of Accounts, the following definitions have been adopted:**

### **Accounting Period**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accounting Policies**

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

### **Accruals**

Amounts included in the final accounts to recognise income earned and expenditure incurred for both revenue and capital in the financial year, but for which actual payment had not been received or made as at 31 March.

### **Amortisation**

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

### **Annual Governance Statement**

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

### **Asset**

An item having a value to the Council in monetary terms. Assets are categorised as either non-current or current:

- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a leisure centre, or intangible, e.g. computer software licences.
- A current asset will be consumed or cease to have material value within the financial year e.g. cash and stock.

### **Audit of Accounts**

An independent examination of the Council's financial affairs

### **Balances (or Reserves)**

These are usable or unusable reserves. Usable reserves represent accumulated funds from prior years, that are available to the Council and can be spent. Some reserves may be earmarked for specific purposes and are for funding future defined initiatives or meeting identified risks or liabilities. The unusable reserves, which have been established for technical purposes are not available to spend and cannot be used to fund service provision.

### **Balance Sheet**

This statement sets out an authority's financial position at the year-end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.



### **Capital Expenditure**

Expenditure on the acquisition, construction, enhancement or replacement of a non-current asset such as land, buildings, and computer. It is expenditure that enhances and improves the use of the assets. It isn't expenditure that merely maintains the value of an existing asset.

### **Capital Adjustment Account**

This account records the accumulated amount of set aside capital receipts and minimum revenue provision (the contribution from revenue to cover repayment of the borrowing that has been undertaken to fund capital expenditure) together with capital expenditure financed by way of capital receipts, grants and revenue contributions. Set against these amounts are adjustments to the revenue account for depreciation and capital expenditure written off to revenue during the year. This, therefore, ensures that only actual expenses are charged to revenue in year and are paid for by council tax payers.

### **Capital Financing**

Funds used to pay for capital expenditure. There are various sources funding to finance capital expenditure including borrowing, leasing, revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **Capital Financing Requirement**

This measures the change in the underlying need for the council to borrow to finance capital expenditure. Where all capital expenditure is financed when it is incurred by resources generated by the council, e.g. revenue contributions, grants and capital receipts, the Capital Financing Requirement (CFR) will not increase. However if borrowing is required to finance capital expenditure then the CFR will increase. The annual minimum revenue provision will be applied to reduce the CFR each year and capital receipts can also be used to reduce the CFR.

### **Capital Receipt**

The proceeds from the disposal of land or other non-current asset. The government regulates the proportion of capital receipts that can be used to finance new capital expenditure. Capital receipts cannot ordinarily be used to finance revenue expenditure.

### **Cash Equivalents**

Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Cash Flow Statement**

This statement summarises the cash flows of the authority for capital and revenue spending as well as the cash flows used to finance these activities.

### **CIPFA**

This is the Chartered Institute of Public Finance and Accountancy. This organisation produces the Code of Practice that practitioners follow so that all local authorities prepare their accounts in a consistent and comparable way.



### **Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to other authorities (preceptors) and the general fund.

### **Community Assets**

Assets that the local authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Comprehensive Income and Expenditure Statement**

This is the statement that shows the accounting cost (surplus/deficit) in the year of providing services in accordance with generally accepted accounting practices. It is not the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### **Consistency**

The accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingent Gains**

A contingent gain (or asset) is a possible economic gain arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

### **Contingent Liabilities**

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or
- a current obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

It is considered that a contingent liability below £50,000 need not be disclosed, as any such amounts would not be significant.

### **Corporate and Democratic Core**

This includes all the activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The costs of these activities are those that are over and above those that would be incurred by a series of independent, single-purpose nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

### **Council Tax**

A local tax on dwellings within the district, set by billing authority (South Cambs. District Council) and the precepting authorities (the county council, fire and rescue services, the police and town and parish councils). It is calculated by taking the revenue expenditure requirements for each authority divided by the council tax base for the year.



**Creditors**

Amounts owed by the Council for goods and services that it has received before 31 March, but that have not been paid for at that date.

**Debtors**

Amounts owed to the Council for goods and services that it has provided before 31 March, but where the associated income was not received at that date.

**Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contributions scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes. The useful life is the period over which the local authority will derive benefit from the use of a fixed asset.

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

**Finance Leases**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

**General Fund**

This account where all the costs of providing the Council services (with the exception of the landlord services, the costs of which sit in the HRA and Local Council precepts) are charged to which are then paid for from Council Tax and government grants.

**Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**Housing Revenue Account**

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure such as maintenance, administration, rent rebates and capital financing costs, and how these are met by rents subsidy and other income.



### **Impairment**

A reduction in the carrying value of a non-current asset to below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

### **Intangible Assets**

Expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be recognised as an intangible asset it must yield future economic benefits to the council. One of the most common examples would be software licences.

### **International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

### **International Public Sector Accounting Standards (IPSAS)**

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

### **Investments**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments that do not meet the above criteria should be classified as current assets.

### **Investment Properties**

An interest in land and/or buildings:

- in respect of which construction work and development have been completed; and
- which are held for their investment potential, any rental income being negotiated at arms length.

### **Liability**

A liability exists where the Council owes payment to an individual or another organisation

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

### **Long Term Debtors**

These debtors represent the capital income still to be received, e.g. from the sale of an asset or the granting of a mortgage or a loan.

### **Minimum Revenue Provision (MRP)**

This is the minimum amount that the Council must charge to the comprehensive income and expenditure statement each year to provide for the repayment of General Fund debt.

### **Movement in Reserves Statement (MiRS)**

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

### **National Non-Domestic Rates (NNDR) also known as Business Rates**



Non-domestic rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally (currently 50%). This money, together with revenue from council tax payers, fees and charges and certain other sums, is used to pay for the services provided by the Council.

#### **Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

#### **Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

#### **Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

#### **Non-Operational Assets**

Non-current assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets that are surplus to requirements pending sale or redevelopment and assets under development or construction.

#### **Operating Leases**

Leases other than a finance lease.

#### **Operational Assets**

Non-current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Operational assets comprise Council dwellings, other land and buildings, vehicles, plant and equipment, infrastructure and community assets.

#### **Post Balance Sheet Events (PBSE)**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the responsible financial officer signs the Statement of Accounts.

#### **Precept**

The levy (demand for money) made by precepting authorities (the authorities with the power to instruct another local authority (the billing authority) to collect an amount from council tax on their behalf). Precepts are demanded by the County Council, Fire and Rescue services, the Police and Parish and town Councils.

#### **Prior Years/Periods Adjustments**

The material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.



### **Property, Plant and Equipment**

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

### **Provisions**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- the local authority has a present obligation (legal or constructive) as a result of a past;
- it is probable that a transfer of economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

A constructive obligation is an obligation that derives from an authority's actions where;

- by an established pattern of past practice, published policies or sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### **Prudence**

The concept that revenue is not anticipated until received in the form either of cash or of other assets, or a reliable estimate of the cash realisation can be assessed with reasonable

### **Prudential Code**

Since 1 April 2004, local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority's capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific prudential indicators.

### **Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government can borrow itself. Virtually all borrowing undertaken by local authorities comes from the PWLB.

### **Related Parties**

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the Council and its pension fund.



### **Related Party Transaction**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority but also in relation to its related party.

### **Remuneration**

This is all sums paid to or receivable by an employee and any sums due by way of expenses and allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

### **Revaluation Reserve**

This account was created on 31 March 2007. The purpose of which is to hold all revaluations occurring to fixed assets subsequent to that date.

### **Revenue Expenditure**

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure of a capital nature that does not result in a fixed asset being created. An example of such an item would be expenditure on a former HRA property held on a long lease by a third party. The expenditure is written off in the year that it is incurred.

### **Stocks**

These are items of raw materials and stores a Council has procured and holds in expectation of future use. Stock comprises the following categories:

- Goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- finished goods.



### **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom known as 'The Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003. There are also accompanying guidance notes for practitioners.

### **Unapportionable Central Overheads**

These are overheads for which no user now benefits and should not be apportioned to

## **Pensions Glossary**

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or
- the actuarial assumptions have changed

### **Current Service Costs**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

### **Curtailement**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **Discretionary Benefits**

Retirement benefits that the employer has no legal, contractual or constructive obligations to award and which are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) regulations 1996.



### **Expected Rate of Return on Pension Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **IAS19**

International Accounting Standard 19 (IAS19) ensures that organisations account for employee retirement benefits when they are committed to pay them, even if the actual payment may be years into the future.

### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investments (Pensions Fund)**

The investments of the Pensions Fund will be accounted for in the statements of the fund. However authorities (other than town and community councils) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **Non-Distributed Costs**

Non-distributed costs are defined as comprising:

- retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total costs of services;
- the costs associated with unused shares of IT facilities; and
- the costs of shares of other long-term unused but unrealisable assets.

### **Past Service Cost**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **Pension Scheme Liability**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **Projected Unit Method- Pension Fund Valuation**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.



### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date, or
- an employee's decision to accept redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **Settlement**

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

### **Vested Rights**

In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme
- for deferred pensioners, their preserved benefits, and
- for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependents.