CAMBRIDGE CITY COUNCIL

REPORT OF:	Head of Finance	
TO:	Civic Affairs Committee	26/6/2015
WARDS:	None directly affected	

ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

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1 INTRODUCTION

1.1. The Audit and Accounts Regulations govern the preparation, approval and publication of local authority accounts. There is a requirement for the Council's Chief Financial (Section 151) Officer to approve draft accounts by the 30 June in each year and for the audited accounts to be approved by resolution of a committee of the Council (or the full Council) by 30 September. Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.

1.2. Although the Civic Affairs Committee are not required to formally approve the draft accounts by 30 June the Committee has previously agreed that the accounts should be presented for review at this stage and that the accounting policies and treatments applied in their preparation are approved.

1.3. Changes to the accounts, as a consequence of new or amended guidance on local authority accounting, are highlighted in this report, together with future developments in financial reporting.

1.4. Significant items of note in the 2014/15 accounts are also highlighted together with explanations of the differences in presentation between final outturn reporting to Scrutiny Committees (based on service portfolios) and the formal statement of accounts.

In light of the scope and content of the draft accounts, if members require detailed answers to specific questions it is requested wherever possible that these are notified to the Head of Finance 2 working days prior to the meeting so that a full answer can be given.

2. RECOMMENDATIONS

2.1 That the contents of the draft Statement of Accounts presented at Appendix 1 are noted and that the accounting policies and treatments on which they are prepared are approved.

3. BACKGROUND

3.1 The Civic Affairs Committee has responsibility for corporate governance issues including audit and regulatory financial matters. The CIPFA Publication *Audit Committees: Practical Guidance for Local Authorities* states that the review of the financial statements should include:

- The suitability of accounting policies and treatments
- Any changes in accounting policies and treatments
- Major judgemental areas

3.2 In addition the Committee should consider any significant adjustments and material weaknesses in internal control reported by the external auditor after completion of the audit.

3.3 The annual accounts of local authorities are prepared in accordance with the Code of Practice on Local Authority Accounting (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and on other relevant guidance relating to accounting and reporting standards. The Code, based on International Financial Reporting Standards (IFRS), is highly prescriptive both in terms of the main financial statements and the notes that must accompany them.

3.4 The requirements and timetable to prepare, audit and publish the accounts are governed by the Accounts and Audit Regulations issued under powers contained in the Local Government Finance Act 1982. The Accounts and Audit Regulations 2011 require the accounts to be approved by the Chief Financial Officer by 30 June, and approved by a committee of the Council (or the full Council) and published by 30 September.

3.5 The timetable for production of the Council's draft accounts was achieved once again this year. The production of accounts remains a complex task and one that requires significant resources.

3.6 An Annual Report, outlining the Council's services and summarising the Council's performance in 2014/15 is being presented alongside the Statement of Accounts. The Annual Report pages presented here are the latest draft and may be further refined prior to publication in September 2015.

4 AUDIT OF THE ACCOUNTS AND REPORTING ARRANGEMENTS

4.1 The 2014/15 audit of accounts will be undertaken by Ernst & Young (EY).

4.2 Officers have liaised extensively with the external audit team to agree the accounting approach to a number of the key accounting issues this year.

4.3 Auditing standards (International Auditing Standard 240) require external audit to update their knowledge of management processes and arrangements, and how Civic Affairs (as those charged with governance) gain assurance from management on these matters. EY wrote to the Council's Section 151 officer and the Chair of Civic Affairs in February. The responses are attached at Appendix 2.

4.4 The audit of the accounts is due to commence on 10 August. Should any changes to draft accounts be required at the conclusion of external audit's work, these will be incorporated into the final version presented for approval and publication in September 2015.

4.5 In addition to the responses already given, auditors are expected, under professional auditing standards, to seek a Letter of Representation from those charged with corporate governance. This letter is normally signed by the Section 151 Officer and the Chair of Civic Affairs. The auditors will rely on that letter, as well as the audit work carried out when issuing their audit certificate. The wording of the letter for the 2014/15 Statement of Accounts will be agreed as part of the audit process.

4.6 It is anticipated that the audit of the accounts will be concluded in September. At the meeting of Civic Affairs scheduled for 16 September 2015, members will receive a formal report of the Audit opinion, known as the ISA 260 report. Members will then be asked to approve the Statement of Accounts. It is intended that the final Letter of Representation will also be signed at that meeting and then the Audit Opinion can be signed and issued in advance of the 30 September statutory deadline for publication.

4.7 The accounts and certain other related documents will be available for inspection by members of the public for a period of 20 working days starting on 14 August 2015. Notice of the dates and times of availability will be published in the Cambridge News and on the Council's website. In addition, electors (or their representatives) have the right to question the auditors about the accounts and to make certain objections in relation to unlawful items of account, failure to bring a sum into account or a loss or deficiency caused by wilful misconduct. The date set for exercise of these rights is 14 September 2015.

4.8 The draft accounts are scheduled to be formally approved for issue by the Council's Section 151 officer after this meeting. These draft accounts will also be made available on the Council's website, appropriately noted as being subject to audit. Once audited, the final Annual Report and Statement of Accounts, including the audit opinion will also be published.

5 PRESENTATION OF THE ACCOUNTS

5.1 The presentation of the statement of accounts is quite different to the financial reports presented to members as part of the budgetary control cycle, as the statutory accounts must be presented in line with regulation and accounting standards.

5.2 The main statutory financial statements and notes of significance are summarised below:

- The Movement in Reserves Statement (statement of accounts page 9) allows members to compare the actual surplus or deficit on the General Fund, and the separate ring-fenced Housing Revenue Account, with the budget.

- Total comprehensive income and expenditure as presented in the Movement in Reserves Statement is taken from the Comprehensive Income and Expenditure Statement (CIES). The analysis of service income and expenditure leading to the 'Cost of Services' totals is presented in line with CIPFA's Service Reporting Code of Practice (SERCOP).

- Items presented between 'Cost of Services' and the 'Surplus or deficit on the provision of services' include payments to the housing receipts capital pool, the surplus or deficit on disposal of assets, income, expenditure and movements in the value of the

Council's investment properties and Council Tax and non-specific government grant income. Other comprehensive income and expenditure includes the movements in the revaluation reserve and the remeasurement gains and losses on the pension scheme as assessed by the scheme actuary.

- Reserves, both General Fund and Housing Revenue Account, are an indication of the resources available to the Council to deliver services in the future. Information on the level of reserves can be found in the Balance Sheet and related notes and in the Movement in Reserves Statement and related notes.

- The Balance Sheet is presented on page 12 of the statement of accounts. The bottom half of the balance sheet summarises the Councils reserves. Not all reserves can be used to deliver services and The Code reflects this by reporting reserves in two groups – 'usable' and 'unusable'. Usable reserves such as the General Fund Reserve and earmarked reserves are those where members will be involved in deciding on the levels maintained and their use. Unusable reserves are not available to use to provide services. These reserves include those reserves that hold unrealised gains and losses (eg the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences (eg the Capital Adjustment Account) shown in the Movement in Reserves statement line 'Adjustments between accounting basis and funding basis under regulations.'

- The accounts include a segmental reporting note (note 9). The note is based on the Council's own service management structures and reconciles the total performance reported to members, analysed by portfolio, at outturn to the results presented in the statement of accounts.

- The note highlights the total of transactions reflected in the CIES which are not reported to members as part of outturn. These transactions are those entries charged or credited to usable and unusable reserves and which therefore do not impact on the Council's General Fund or Housing Revenue Account (HRA) reserves (and hence the level of Council Tax or rents).

Examples include:

Transaction	Financed By	Usable / Unusable reserve
Payments to the Housing Receipts Capital pool	Capital Receipts Reserve	Usable
Movements in the value of investment properties	Capital Adjustment Account	Unusable
Movements in the value of property, plant and equipment not covered by previously accumulated gains held for that asset in the Revaluation Reserve	Capital Adjustment Account	Unusable
Revenue Expenditure Funded from Capital Under Statute (eg capital grants to outside bodies)	Capital Adjustment Account	Unusable
Adjustments reflecting the difference between pension contributions paid in the year and the cost of providing pensions as estimated by the Actuary	Pensions Reserve	Unusable

Members are updated on the level of usable reserves, such as the Capital Receipts Reserve and earmarked reserves, as part of the mid-year financial review and decisions on their use are made as part of the budget-setting process.

6 FINANCIAL RESULTS FOR 2014/15

6.1 The Council's financial performance is summarised in the main financial statements.

6.2 The Movement in Reserves Statement (Page 9 of the statement of accounts) shows an overall increase in the Council's usable reserves of £12.3 million to £92.0 million.

6.3 There was a net increase of £4.5 million in respect of the Capital Receipts Reserve, which can only be used to support capital expenditure.

6.4 General Fund unallocated reserves increased by £3.0 million to £12.0 million. General Fund earmarked reserves increased by £1.3 million to £25.2 million.

6.5 HRA reserves increased by £6.0 million to £14.9 million. HRA earmarked reserves decreased by £0.1 million to £4.2 million.

6.6 A more detailed analysis of the movement on both HRA and General Fund earmarked reserves is shown in note 5 (page 25 of the statement of accounts).

6.7 The Comprehensive Income and Expenditure Statement (Page 11 of the statement of accounts) shows a net surplus on the provision of services (measured according to proper accounting practice) of £27.9 million, compared to a net surplus of £19.6 million last year. HRA gross expenditure includes net credits of £16.8 million (£6.7 million in 2013/14) in respect of the reversal of revaluation losses on HRA properties previously debited to the income and expenditure account.

6.8 The CIES also shows a significant surplus on the revaluation of property, plant and equipment (£34.2 million compared to £25.5 million in 2013/14) and a significant charge for remeasurement of the pension liability of £24.5 million (a credit of £3 million in 2013/14).

6.9 The Balance Sheet shows that the Council's overall net assets at 31 March 2015 were £37.1 million higher than at 31 March 2014, at £570.4 million. There were significant increases in the value of property plant and equipment assets held (£43.5 million) and long term and short term investments (£19.4 million), although current debtors decreased by £6.1 million. An overall increase in net assets was partially offset by an increase in current liabilities of £2.7 million, and the increase in the pension liability of £29.6 million.

7 CHANGES IN ACCOUNTING POLICY AND TREATMENT

7.1 There were no significant changes in accounting policy introduced by the 2014/15 Code. However, accounting policies and key accounting estimates have been reviewed, and a number of changes are reflected in the draft accounts.

Housing redevelopments – determining the point of disposal

7.2 The Council is undertaking a number of housing redevelopments where part of the cost of building social housing units is being 'paid' by the transfer of land on which the developer will build and sell market units. The Council now assesses that it transfers the risks and rewards of ownership of this land at the point that the agreement with the developer becomes unconditional, rather than at legal disposal as previously. The impact of this change on the prior year has been agreed with external audit to be immaterial and therefore prior period comparatives have not been restated.

Change in accounting estimate – apportionment of value at Clay Farm

7.3 The Council owns an area of 6.75 acres at Clay Farm on the southern fringe on the city. The element of this land that will be retained by the Council for the development of social housing is held within the asset category of property, plant and equipment. The remainder, which is to be disposed of for market housing, is held in assets held for sale. Prior to the 2014/15 Statement of Accounts, the Council determined the proportion of the value of the whole site to be included in assets held for sale and property, plant and equipment based on the estimated land areas for each use of 50%.

7.4 As plans for the site have developed, detailed areas now indicate that of the total site area 56% of the site will be sold to the developer for market housing, 37% will be retained for social housing and 7% for open space. In addition, detailed discussions have indicated that the value for land for social housing on this site is negligible. The open space also has negligible market value as protected amenity space. The estimate of the apportionment of the value of the site has therefore been revised in the 2014/15 accounts so that 100% of the site value is apportioned to the asset held for sale.

Change in accounting estimate – discount rate for assessing pension liabilities

7.5 In assessing liabilities for retirement benefits at 31 March 2014 for the 2013/14 Statement of Accounts the actuary assumed a discount rate of 4.3%. For the 2014/15 Statement of Accounts the actuary has advised that a rate of 3.2% is appropriate. Application of this rate (and related RPI/CPI inflation and salary increase assumptions) has resulted in an increase in liabilities of £41.4 million, as reflected in the remeasurement losses recognised for the year in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

7.6 The increase in pension liability arising from the change in discount rate was partially offset by asset returns and other remeasurements leading to overall net increase in pension liability of £29.6 million. The overall net liability of £124.8 million shows the underlying commitment that the Council has in the long term to pay retirement benefits. Although this has a substantial impact on the net worth of the Council as recorded in the balance sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

8 OTHER SIGNIFICANT ITEMS OF NOTE IN THE 2014/15 ACCOUNTS

Business Rates Retention Scheme

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

8.2 The Council established a provision in the 2013/14 accounts for the best estimate of liabilities in respect of successful rating appeals, both for the Collection Fund as a whole (as the billing authority) and the General Fund Share of 40%. The movement on the Council's share is detailed in Note 29 to the accounts. Part of this provision has been utilised (on notification of successful appeals), some unused amounts have been reversed (for example on withdrawal or rejection of the appeal) and additional provisions have been made (for example against new appeals). The Council's share of the provision at 31 March is £2.5 million.

8.3 As noted last year, this provision is subject to a significant degree of estimation uncertainty as it is based on Valuation Office Agency (VOA) lists of appeals and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made on historical experience.

8.4 The Council is also aware of a proposal to merge a national network, which currently appears in individual rating lists nationwide, into a single listing forming one hereditament in one council area. If successful this proposal would be backdated to 1 April 2010 and the Council's share of the backdated loss of business rates income would be in the order of £600,000.

8.5 The Council does not currently assess that it is probable that the VOA will accept this proposal, as it has no indication of the likelihood of success. The financial impact is therefore not reflected in the 2014/15 accounts, but disclosed as a contingent liability in Note 33.

Changes in the valuation of Council Dwellings

8.6 As detailed in Note 15 to the accounts, the value of council dwellings (including shared ownership) properties has increased by £40.3 million, to stand at £538.1 million at 31 March 2015.

8.7 This net movement reflects not only capital expenditure (both to existing properties and on new council houses) and the disposal of properties under the right to buy, but also movements in the valuation of housing stock.

8.8 Dwellings are valued at existing use value for social housing. This is currently 39% of the vacant possession open market value, reflecting the lower than market rents receivable on existing tenancies.

8.9 Revaluation gains of £24.2 million are reflected on the revaluation reserve, an unusable reserve on the balance sheet. As previously noted £16.8 million of gains are reflected in the CIES. These are required to be posted here as they effectively reverse previous revaluation losses charged to the HRA Income and Expenditure Statement, primarily in the economic downturn following the financial crash of 2008. Statutory accounting arrangements for the HRA currently reverse revaluation movements posted to Income and Expenditure via the Movement in Reserves Statement, so that they do not impact on rent levels.

9 FUTURE DEVELOPMENTS IN FINANCIAL REPORTING

9.1 The Accounts and Audit Regulations 2015 were laid before parliament in February 2015. A key area of the regulations is that from the 2017/18 financial year:

- the draft accounts will need to be ready by 31 May, a month earlier than currently
- the audited accounts will need to be published by 31July, two months earlier than currently.

9.2 The new deadlines will present significant challenges for both councils and external auditors.

9.3 EY have produced a briefing paper on some of the implications of the changes which is attached at Appendix 3. They will be at the meeting to discuss this with the committee.

9.4 Officers have already started to make changes to the closedown process to facilitate the new deadlines and would currently anticipate a ‘dry-run’ in 2016/17. It is estimated that the 2014/15 accounts were drafted approximately a week quicker than last year and the Council has already implemented some of the suggestions in the EY paper, including:

- removing some notes to the accounts (on the basis that they are immaterial);
- reviewing the approach to estimates (for example by setting a £1,000 de minimis for year end manual creditors);and
- developing a spreadsheet model that will allow EY to use their Data Analytics tool more effectively.

9.5 Work will continue in 2015/16 to make further improvements to the speed and efficiency of the closedown process. In particular we will seek to focus on closing our Payables and Receivables ledgers more quickly which will impact on all areas of the Council.

9.6 The Council's current financial system was first implemented in 1997, so is nearing 20 years of age. Council will be asked at the July meeting to consider a proposal for implementation of a new financial system. The requirements of a faster closedown will clearly be at the forefront of the development of any new system.

10 IMPLICATIONS

(a) **Financial Implications** Included in the report above.

(b) **Staffing Implications** None

(c) **Equality & Poverty Implications** None

(d) **Environmental Implications** None

(e) **Procurement** None

(f) **Consultation and communication**

As detailed in the report the draft accounts will be published on the Council's website. The Notice of Public Rights will be published in the Cambridge News and on the website.

(g) **Community Safety**

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

Draft Statement of Accounts 2014/15

To inspect these documents contact Charity Main on extension 8152.

The author of this report is Charity Main. The contact officers for queries on the report are Charity Main on extension 8152 or Caroline Ryba on extension 8134.

Report file: O:\accounts\Committee Reports & Papers\Civic Affairs\June 2014\Statement of Accounts Report to Civic Affairs June 2014.docx

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Appendix 1

CAMBRIDGE CITY COUNCIL

ANNUAL REPORT AND STATEMENT OF ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2015

DRAFT FOR CIVIC AFFAIRS (UNAUDITED)

Contents

Annual Report 2014/15

Cambridge City Council provides a wide range of services to people that live in, work in and visit Cambridge.

The services provided by the City Council include:

- Keeping the streets and public open spaces clean.
- Emptying refuse and recycling bins.
- Providing a range of leisure facilities, including swimming pools and community centres, and commissioning entertainment in the City's parks and supporting the Corn Exchange.
- Awarding a wide range of grants to support local organisations and community groups.
- Providing a wide range of play activities for children and young people.
- Developing a new local plan for Cambridge to guide development to 2031, offering planning advice, progressing planning applications and making sure that new buildings and alterations are safe.
- Providing housing advice and support, and working with partners to meet peoples' housing needs.
- Acting as landlord to over 7,000 council properties.
- Processing housing benefit and council tax support applications.
- Monitoring and enforcing food and drink hygiene standards, together with noise and air pollution.
- Licensing food premises, street traders and entertainment venues.
- Addressing anti-social behaviour, in partnership with the Police and other agencies.
- Managing council run car parks.
- Organising and managing elections and the electoral register.
- Administering Council Tax and Business Rates.

The City Council ("the Council") serves a population of about 126,500 residents in an almost entirely urban area in an otherwise mainly rural county. Cambridge is a sub-regional centre with high levels of inward travel to work and for shopping and leisure activities, which adds significantly to the day-time population. The Council provides many services that are used by people who live outside of the city as well as residents, which places additional pressure on our resources.

The city is at the centre of a housing growth region, with many new homes planned for sites on the southern and north-west fringes of Cambridge. The provision of good quality affordable and sustainable housing is a priority for the Council and it has set a target for developers of 40% affordable housing to be provided on all new residential sites, including the larger growth sites.

What we want to achieve

Cambridge City Council's vision guides everything we do. Our vision statement, which is shared with Cambridge citizens and partner organisations, is:

'One Cambridge – Fair for All'

- A city which believes that the clearest measure of progress is the dignity and well-being of its least well-off residents, which prioritises tackling poverty and social exclusion, recognising that greater social and economic equality are the most important preconditions for the city's success.
- An international city which celebrates its diversity and actively tackles discrimination on gender, race, nationality, ethnic background, religion, age, disability, gender identity, and sexual orientation.
- A city in which all citizens feel that they are listened to and have the opportunity to influence public decision making, and which values, supports and responds to individual and community initiatives.
- A city where all citizens and organisations appreciate their duties as well as their rights, where people are free to enjoy themselves but also show consideration for others, and where the community works together to reduce harm and nuisance including by education and, where needed, robust enforcement of the law.
- A city where 'town' and 'gown' combine, and where mutual understanding and partnerships are developed through joint working, community initiatives and volunteering.

Cambridge - a great place to live, learn and work

- A city which strives to ensure that all local households can secure a suitable, affordable local home, close to jobs and neighbourhood facilities.
- A city which draws inspiration from its unique qualities and environment and its iconic historic centre, and retains its sense of place across the city through positive planning, generous urban open spaces and well-designed buildings, and by providing quality council services.
- An entrepreneurial city with a thriving local economy, in which businesses are assisted to build on their global and national pre-eminence in learning, discovery and production, and develop a full range of local employment and skills development, while also recognising and delivering on their social responsibilities.
- A city where getting around is primarily by public transport, bike and on foot.

Cambridge - caring for the planet

- A city that takes robust action to tackle the local and global threat of Climate Change, both internally and in partnership with local organisations and residents, and to minimise its environmental impact by cutting carbon, waste and pollution.

How we will achieve our vision for Cambridge

Annual Statement

Every year an annual statement setting out what the Council wants to do over the course of the year is adopted by the Council. This annual statement includes actions for specific groups of services, known as a portfolio. The seven councillors who make up the Council's Executive, including the Leader of the Council, are each allocated a portfolio. The Executive councillors are then responsible for the delivery of the services in their portfolio and can make decisions about them.

In 2014/15 the portfolios were:

- Strategy and Transformation
- Finance and Resources
- Housing
- Environment, Waste and Public Health
- Planning Policy and Transport
- Community, Arts and Recreation
- City Centre and Public Places

Further information about the Council's Annual Statement can be found here:

The following pages outline what we achieved over the past year for these portfolios.

Strategy and Transformation

During 2014/15 we:

- Concluded the City Deal Agreement and established an Executive Board and Assembly to provide joint decision making with our partners. The deal secures millions of pounds of additional funding for investment in infrastructure to support sustainable economic and housing growth in the area over the longer-term.

- Agreed with our City Deal partners to use our shared capacity to develop more affordable housing, and to improve skills outcomes in the Greater Cambridge area. We also engaged with residents, businesses and others on the investment priorities, and the Board decided on a £100m+ infrastructure programme for the first five years.

- Identified alternative models for delivering a range of services more efficiently including the launch of Cambridge Live to manage cultural activities in the city on behalf of the Council; and moved towards implementation of sharing specific services with partners in the local public sector, including sharing our waste collection service with South Cambridgeshire District Council.

- Secured agreement from Government, alongside other Cambridgeshire councils, that we would retain 100% of any additional business rate growth beyond expected forecasts starting from 1 April 2015.

- Conducted an innovative consultation about the budget challenges facing the council using an interactive online tool called "You Choose". A large number of people were involved and councillors took into account the views of residents when confirming spending plans.

- Our Joint Equalities Group and Diversity Forum organised a range of activities and events during the year, including the promotion of World Mental Health Day. Among the activities for World Mental Health Day were a special stall in Market Square, a pop-up café in Hobson House and coffee mornings in the Customer Service Centre and City Homes South.

- Changed the way our area committees ran by returning the consideration of local planning applications to a central planning committee, freeing up more time in area committees for other issues of local concern.

- Secured funding for the Cambridge Community Safety Partnership to continue its work in sponsoring local inter-agency projects tackling crime and disorder. Work also included gaining an improved understanding of the impact of a person's mental health on alcohol and drug misuse and Anti-Social behaviour, so that we can deliver a better service and solutions to local problems.

- Successfully included domestic violence and abuse as priorities in the Cambridge Community Safety Partnership's new Community Safety Plan and achieved, with partners, "White Ribbon" status for the city, so that we are an exemplar of good practice in addressing this issue.

- Provided £100,000 of additional funding to women's refuges and women victims of domestic abuse seeking support in the city and launched the Cambridge Community Forum on Domestic and Sexual Violence/Abuse to help shine a light on the issue and encourage both victims and perpetrators to come forward.

- Made preparations for the introduction of a Public Spaces Protection Order for three locations along Mill Road, to help reduce problem drinking and anti-social behaviours associated with street drinking in the area. This provides the police with additional powers to help protect the public.

- Introduced a "Reduce the Strength" campaign with local retailers, based on a voluntary code of conduct, to persuade retailers to reduce their stock of high strength beer. We also worked with the police to use Licence Reviews to clamp down on premises that continuously sell alcohol to the already-drunk and under-aged people.

- Continued to give victims a say in the solutions to anti-social behaviour and low level crime by increasing the number of referrals to the Neighbourhood Resolution Panels from the City Council Anti-social Behaviour (ASB) and Housing Teams and our partner agencies.

- Helped launch free public Wi-Fi for the city to give residents, visitors and students free access to the internet in public buildings around the city. This innovative project, as part the Connecting Cambridgeshire initiative, saw the city council working closely with the University of Cambridge and the county council, to provide free Wi-Fi on open spaces, and at sports and community centres.

- Implemented a new system for registering to vote, called Individual Electoral Registration, which was required by the government. It allows people, for the first time, to go online and register without the need to fill in a paper form.

Finance and Resources

During 2014/15 we:

- Achieved our difficult savings targets by becoming more efficient at what we do and by doing things in a different way. We did this in part by sharing some services with other local authorities, such as a joint CCTV Control Room and Out of Hours Service with Huntingdonshire District Council, and looking at other opportunities, such as the setting up of a cultural trust called Cambridge Live, to bring about improvements and reduce costs.

- Continued to be effective in administrating benefits and collecting local taxes, preventing and detecting fraud, and providing information and guidance to residents about our council tax support scheme, discretionary housing payments and local social welfare.

- Were one of just three councils nationally showcased by Citizens Advice as an example of good practice for its work on welfare reform and has continued to offer support and guidance to people affected by the Government's changes.

- Made preparations for the introduction of Universal Credit in the city by adapting our systems and liaising with partners, such as the Department for Work and Pensions, Citizens Advice and housing providers to assist people back into work, where appropriate.

- Extended our apprenticeship programme, so that more young people gained skills and work experience in the Council.

- Continued to exploit our information systems to help improve our service delivery and the experiences of customers.

- Maximised the return of the Council's commercial property portfolio in both capital and revenue terms, recognising the need to use these assets to deliver other Council initiatives. We also completed a stock condition survey of commercial estate.

- Continued to make the best use of the Council's accommodation in a way that also supports our environmental and sustainability goals.

- Created a one-stop listing on our website and at our customer service centre showing the many different services new businesses will need to access when looking to set up in Cambridge.

- Continued to take action to reduce carbon emissions and energy costs across the Council's estate and operations as part of the Council's five-year Carbon Management Plan.

- Worked with the managing agents of our leisure centres to install solar PV, heat pumps, voltage optimisation units, LED lights, and bringing back online a combined heat and Power (CHP) unit, to reduce emissions by 285 tonnes of CO2.

- Increased the promotion and the uptake of new energy efficiency schemes such as Green Deal and the Energy Companies Obligation so that more local people, especially those on low incomes, enjoyed reduced energy bills. We were successful in attracting £7.8 million in Green Deal Community Funding for Cambridgeshire. This has allowed us to target 1,000 private homes and 800 rented homes with energy efficiency measures. To date over 400 households have taken up an offer through the Action on Energy scheme and money remains available until September 2015.

- Promoted and supported the County Council's Collective Energy Switching Scheme, so that the collective bargaining power of residents in Cambridgeshire can bring about cheaper energy prices for residents. In 2014, over 400 residents switched energy supplier through this scheme, each saving on average £224 per year.

- Invested in a project to investigate how to reduce water bills for households in the city, especially those that presently pay over the odds or find it difficult to pay for the water they use. This has included the employment of a Home Energy Officer to assist residents in reviewing their water use to establish if they would benefit changing to a meter. A project action plan for the next 18 months has been agreed and begins with a pilot project metering smaller council properties with 1 or 2 bedrooms to look at the savings made.

- Ran a major consultation asking local people living on a low income, community and voluntary sector groups and agencies involved in addressing poverty, what they thought priorities for an Anti-Poverty Strategy for Cambridge should be.

- Developed and published, using evidence from our consultation, an Anti-Poverty strategy setting out priorities for action that improve the circumstances of people living on low incomes in the city, who are having a difficult time in making ends meet.

- Put in place a Sharing Prosperity Fund to support local projects addressing poverty in the city, such as extending Citizen's Advice services and promoting healthy cooking for people on a low income, to make a real difference to people's lives.

- Achieved accreditation as a Living Wage employer and held an event during Living Wage Week to celebrate our accreditation and to announce the start of an action plan to encourage more Cambridge employers to sign up.

- Promoted the use of credit unions so that more local people can access affordable credit. The Council has been looking at a number of options to raise the profile of the Credit Unions active in Cambridge.

Housing

During 2014/15 we:

- Saw good rates of delivery of housing on the Southern Fringe and the next batch of completions of the new social housing in the Council's programme. The Council's new housing scheme known as the Quads is about to get underway. The next phase of the Council's social housing programme has been agreed and work has commenced with City Deal partners to understand the collective land and funding opportunities that are available to provide more affordable housing.

- Improved the way we managed our housing stock and sought to minimise the level of rent increases, to lower than that recommended by the government's formula, to make life easier for hard pressed families.

- Increased the level of support available for tenants presenting with problems, such as debt issues.

- Gave greater attention to fencing repairs, reducing the backlog, and expanding the "small repairs service", so that people on low incomes can get minor adaptations carried out around their home. We have also strengthened our Housing Committee to give elected tenant representatives a greater say over stock management decisions.

- Moved forward with early preparations for the introduction of Universal Credit so that we can be in a better position to offer support to people on this benefit.

- Completed a social lettings agency (non-commercial) pilot, which has nearly doubled the number of people the Council has assisted into private sector housing, to avert homelessness.

- Worked with partners to maintain rough sleeping numbers at low levels throughout the year.

- Have been far less reliant on bed and breakfast accommodation to temporarily house homeless families by providing more affordable housing and better quality temporary accommodation. The Council and its partners have also prevented more homelessness than in previous years with 470 households assisted to maintain their existing accommodation.

- Extended our Emergency Cold Weather Protocol to cover a wider range of severe weather conditions so that shelter can be provided to rough sleepers more frequently – when it is needed most. Fortunately the winter this year was milder than usual.

- Worked with Cambridgeshire County Council to provide a coordinated support service for older people across the city. This new service will work with others, including Age UK, the NHS and Social Care, to enhance the lives of elderly people, giving them advice and support to live independently.

- Helped alleviate pressure on Addenbrooke's Hospital by arranging for a number of flats at Ditchburn Place, that were going to be left vacant as a result of a refurbishment, to be available to provide interim care for people leaving hospital who are not able to return home immediately.

This innovative approach, whilst supporting local people, generated income for the service from the rent of the flats.

- Took effective enforcement action to address poor housing conditions and management practices in affordable accommodation in the city. During the year 44 statutory notices were served and successful prosecutions were made in relation to five properties.

- Reviewed the Landlord Accreditation Scheme and identified enhancements to assist landlords in gaining accreditation. We also re-launched the council's Landlord Forum during the year to improve the way we work with private sector landlords.

- Continued to prioritise bringing back into occupation long standing empty homes in the city. During the year 10 private properties were brought back into use through direct intervention. A House Condition survey was carried out to help assess the current condition of the private housing stock, including energy efficiency, to inform future policies and interventions.

- Helped drive down anti-social behaviour by investigating 1,273 neighbour noise cases, served abatement notices in relation to 44 properties to prevent noise nuisances and undertook 6 prosecutions where these notices were not complied with.

Environment, Waste and Public Health

During 2014/15 we:

- Used the Cambridge Local Health Partnership to advocate the health and social care needs of the city, so that local commissioners can take account of the views of local people about their priorities.

- Signed a partnership agreement with Nando's under a Primary Authority Partnership Scheme (PAPS). This means that the Council's environmental health commercial team will work with Nando's to develop agreed standards for health and safety and food hygiene across all of the company's outlets.

- Invested in our pest control service so that all residents (including low income families) continued to receive a free domestic service for public health pests. During the year over 750 pest complaints were responded to, an increase of over 10% for the year. In addition, the service also controlled the level of rodent activity in some of the Council's larger open spaces and commons to prevent infestations affecting local homes.

- Successfully negotiated a joint Materials Recycling Facility contract and extended the range of materials that can be placed in blue bins, which now includes materials, such as plastic bags. We also increased the number of textile and shoe banks at recycling points in the city to provide residents with easier access for recycling these materials.

- Recruited more volunteer "recycling champions" to encourage local communities to recycle their waste.

- Launched a new commercial waste collection service that allows food waste to be collected from catering establishments in Cambridge for as many days as they need it – with the aim of improving businesses food ordering and management, and so reducing the total amount of food waste produced in the city.

- Achieved ISO certification for the highest standards in business quality and environmental standards for the council's commercial waste service, which collects recycling and waste from over 2,500 businesses in and around the city, after scrutiny by external auditors. The service was subsequently awarded the prestigious ISO 9001 for quality management and ISO 14001 for environmental management.

- Completed a major refurbishment of public conveniences located within the Lion Yard city centre shopping complex, providing a much more modern, accessible and comfortable experience for its many thousands of visitors every year and including improved baby-change facilities.

- Doubled the size of our public realm enforcement team from 3 to 6 officers to improve the local environmental quality across the city. This has reduced the incidents of littering, fly-tipping and abandoned vehicles left on local streets, making the local environment more pleasant and reducing the impact of the actions of an anti-social minority.

- Successfully prosecuted offenders for littering on the streets, abandoning vehicles and for fly tipping.

- Worked with the Dogs Trust to deliver seven summer events for free dog micro chipping across the city, resulting in 35 dogs being chipped in preparation for the micro chipping law change in April 2016. We also took part in a pioneering dog fouling campaign with Keep Britain Tidy, which saw glow in the dark "We're watching you" posters appear across the city in areas where dog mess is an issue.

- Undertook month long 'Ward Blitzes' in six city wards involving the Council's City Rangers, Rapid Response, Public Realm Enforcement and Street Cleansing teams, involving coordinated public realm maintenance, enforcement and educational action at these events. Ward blitz activities have included cleansing of litter and dog bins, signage and recycling centres, increased dog warden and public realm enforcement presence.

- Delivered a programme of education led by the City Rangers, to children at Key Stage 1 and 2, by visiting 12 schools across the city, talking to an audience of over 1,000 children about subjects such as litter, dog mess and graffiti. We also worked with the Cambridgeshire Fire Safety and other partner agencies to deliver sessions as part of the 'Safety Zone' educational activities across the city, focusing on how children can stay safe in parks.

- Progressed a programme of environmental and minor highways improvements across Cambridge, including: refurbishments of war memorials in Cherry Hinton, Trumpington and St Giles Churchyard; removal of unsightly and inappropriate highway trees in Arbury Road, and; new benches for Grange Road.

- Carried out a consultation on streetscape improvements for Tenison Road and Devonshire Road to help soften the impact of new buildings around the railway station area, and in Cherry Hinton High Street, in conjunction with Cambridgeshire County Council.

Planning Policy and Transport

During 2014/15 we:

- Submitted a new local plan for Cambridge and the Council's approach to the Community Infrastructure Levy for independent examination. These documents, which will guide the development and growth of the city over the next 15 years, have been prepared in parallel with

South Cambridgeshire. During the year a government appointed inspector began the independent public examination of that plan and oversaw a number of joint public hearings covering matters such as housing, employment, retail needs, green belt land and transport.

- Continued to work jointly with the county and South Cambridgeshire District Council on the review of the Transport Strategy for Cambridge and South Cambridgeshire (TSC&SC), including area transport plans, and opportunities to develop local projects using the City Deal and other funds.

- Dealt with significant numbers of planning applications resulting in the construction of 1,300 new and affordable homes within the city as well as the granting of planning permissions for Papworth Hospital and Astra Zeneca.

- Worked with our City Deal partners on the development of infrastructure and other improvements needed to help support growth. Detailed plans are currently being worked up to deliver the initial £100m within the next 5 years.

- Continued to support and implement new 20 mph speed limits across the city, where residents say they want them. Some roads have been re-engineered so that they are suitable and safe for inclusion and discussions have taken place with the Police and County Council, to ensure that the new speed limits are enforceable. Wards across the north of Cambridge (Arbury, Kings Hedges, East and West Chesterton) had the majority of their roads reduced to a 20mph maximum during spring 2014, and good progress is being made within East and West/Central areas - with target completion during early 2016.

- Delivered further new transport measures and actions to improve facilities for pedestrians, cyclists and public transport users. This has included (for instance) provision of guidance and advice for developers on cycling in the new developments. A number of new projects were also implemented including path widening (Downhams Lane, Jesus Green and Queens Green), lighting (Jesus Green, and Parkers Piece), highway safety (Perne Road/Radegund Road roundabout) and improvements to bus shelters (Milton Road, Barton Road, Birdwood Road, Teversham Drift, Mill Road, Castle Street and Buchan Street).

- Carried out a customer and business consultation into the future of Park Street car park and options for development of the site.

- Won an award devised by Disabled Motorists UK to encourage improvements in parking for disabled people and reduce abuse of disabled spaces. Cambridge was recognised for its innovative self-service scheme for blue badge holders at Grand Arcade car park.

Community, Arts and Recreation

During 2014/15 we:

- Established a new Arts Trust Charity called Cambridge Live, which started running the Cambridge Corn Exchange, Guildhall Halls, Cambridge Folk Festival and City Events, and other aspects of the arts and recreation service from 1 April 2015.

- Organised and supported a wide variety of events throughout the year. These ranged from world-class orchestras (which included the development of an education programme), ballet, music, comedy and conferences at the Cambridge Corn Exchange and the Guildhall Halls.

- Successfully hosted the start of the third stage of the Tour de France on Parkers Piece, delivered the critically acclaimed 50th Cambridge Folk Festival to a sell-out audience at Cherry Hinton Hall, co-ordinated the historic Midsummer Fair, the 5th November Fireworks and other city events.

- Reviewed the way we prioritised our community grants and decided to direct them through community and voluntary sector organisations that provide services to local people and communities in most need and who experience social inequality and disadvantage. This will be implemented in 2015-16.

- Refurbished and enhanced our community centres making provision for nursery providers at two of our centres and maximising good quality space available to the community at all of our centres.

- Supported local community led events, such as the Arbury, Cherry Hinton and Chesterton festivals and neighbourhood community days and promoted the diversity of our city.

- Ran a community fair event in the Guildhall to promote volunteering opportunities in the city. This involved a large number of community and voluntary organisations who set out how they supported local people and make a difference within communities – demonstrating the variety and richness of civil life in Cambridge.

- Provided three new splash pads for fun interactive water play around the City in recreation grounds at Coleridge, Kings Hedges and Abbey Pool.

- Worked to improve access and investment through developer contributions to sports facilities and playing fields at school and college sites, including provision of new cricket nets and an artificial wicket at Netherhall School.

- Developed and implemented our action plan for the new Sports and Physical Activity Strategy, including a new 'Learn to Swim – Access' initiative that provided free swimming lessons for young people living in low income households, and more outdoor table tennis tables in open spaces through external "Ping!" project funding.

- Increased the capacity for Exercise Referral in the city through the creation of a new fitness centre at Parkside Pool provided by our leisure contractors, GLL; and worked to secure NHS funding for the scheme for the coming year.

- Begun discussion with stakeholders to achieve sustainable management arrangements for new community facilities at Clay Farm and Darwin Green. Involved residents in the design of a new community facility at NW Cambridge.

- Delivered SummerDaze 2014 a city-wide programme of holiday activities for families featuring urban adventure activities, art activities, play and sport run by our Council's Children and Young People's Service (ChYpPS). ChYpPs also offered other play activities to local children throughout other holidays including a daily drop in for local children at Brown's Field Community Centre and activities on the ChYpPS Community Play Boat.

- Delivered "Take-Over 2014" involving local children in a competition to win the opportunity to spend the day shadowing the Mayor.

City Centre and Public Places

During 2014/15 we:

- Appointed a coordinator for the Chesterton and Mitcham's Corner area to work with local businesses and community groups to deliver projects aimed at improving the vibrancy and vitality of this area. This will ensure that the neighbourhood centre makes use of local opportunities and attracts local investment.

- Undertook an audit of the accessibility of our city centre. We will be working in partnership with local businesses and other public agencies to try to reduce the number of street obstructions, such as "A Boards" and giving greater attention to resolving uneven surfaces and poor walk ways.

- Secured support to develop a new business led partnership, called a Destination Management Organisation (DMO) to deliver tourism for Cambridge and the surrounding area. This will reduce the cost of tourism to the City Council and deliver a model better equipped to maximise the economic benefits from tourism to the city and surrounding areas.

- Delivered improvements to the running of our markets through a review of the operational management of the City Centre Management Markets and Street Trading service and themed promotions.

- Opened the doors of the cemetery on Newmarket Road and the crematorium on Huntingdon Road as part of the Open Cambridge weekend, to allow visitors to find out more about the work of our Bereavement Service. This provided a chance to see the recently refurbished chapels, waiting rooms and family rooms, which have been modernised to provide a better service for customers. The service also retained its Gold Status – the highest standard available – from the Institute of Cemetery and Crematorium management.

- Continued to involve local people and community groups in decision making about improvements to open spaces and their future management

- Gave specialist advice to aid the planned urban expansion and growth of the city in respect of the built and natural environment and created opportunities for volunteering at local nature reserves.

- Utilised developer contributions to make significant improvements to open and green space, and sports and recreation provision in the city, including: better drainage on Jesus Green; more play and recreation facilities on Coleridge and Cherry Hinton Recreation Grounds; new splash pads for Abbey, Coleridge and King's Hedges, and; investment in nature reserves for Logan's Meadow (East Chesterton) and Paradise (Newnham).

- Introduced new heritage style lighting on the paths across Parkers' Piece and the improved and widened main diagonal path across Jesus Green, both including free Wi-fi facilities, and in keeping with the historic and sensitive local settings.

- Provided several hundred new cycle parking stands across the city centre, both to keep pace with demand and also reduce the predominance of inappropriately parked cycles impeding access.

- Supported a programme of changes to facilitate cycling contra-flow in many access controlled and one-way streets, to improve accessibility and convenience for more active and sustainable modes of transport.

- Undertook a comprehensive review and rationalisation of on-street parking facilities across the Kite area adjacent to the city centre, to maximise the usage of available space and provide enhanced provision for local residents.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the chief financial officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent; and

- complied with the Code of Practice.

The chief financial officer has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion

I certify that the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2015 and its income and expenditure for the year then ended.

Caroline Ryba
Head of Finance
Date: yy June 2015

Introduction to the Statement of Accounts

The preceding Annual Report section of this document describes the diverse range of services provided by Cambridge City Council to its residents, local businesses and visitors and provides details of some of the key activities and achievements during the year.

The Statement of Accounts, set out on pages 9 to 103, contain a series of statements, summarising the financial implications to the Council during the year in delivering these services. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are presented. The financial year ran from 1 April 2014 to 31 March 2015.

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

The key financial statements are as follows:

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

These accounts are supported by a comprehensive set of notes together with a statement of the accounting policies of the Council and a glossary of terms. An index to the main notes to the accounts is provided on page 16.

Review of 2014/15

As in previous years, budgets were closely monitored during the year and revisions made, where necessary, to reflect changing circumstances. These revisions included changes to reflect Council's approval to carry forward budgets from 2014/15 to meet the costs of re-phased expenditure, additional savings identified during the year and also to provide for unavoidable additional costs.

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. Further information about the valuation of assets, and how changes in their value must be accounted for, can be found in the section that details accounting policies.

Given the prevailing economic climate, reductions in funding from central government and resulting pressures on the Council's finances, it is pleasing to note that:

- Improvements were made to the Council's open spaces, sports, recreation and public art provision through a range of projects funded by developers.

- The Council continued to work closely with public sector partners to plan the provision of new services and facilities in the North West and Southern fringes of the City (where major development is taking place) including a new primary school at Trumpington Meadows and a new multi-use community centre at Clay Farm.

- Major investment continued to be made in the Council's housing stock. In addition to expenditure on repairs and improvements to existing dwellings we are delivering a new council house building programme and are working with planners, developers and others to increase the supply of affordable housing.

The Council continues to identify alternative models for delivering both front and back office services more efficiently. These include a move towards implementation of sharing specific further services with local councils, including sharing waste collection with South Cambridgeshire District Council (South Cambs) and ICT with South Cambs and Huntingdonshire District Council.

Revenue Spending and Income

General Fund Services

For 2014/15, the Council agreed a budget for net spending of £19.0 million. This sum was financed in part by government grant together with the New Homes Bonus and the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for City Council services was set at £173.29 for Band D properties.

During the year the budget was revised for a number of factors, including requests to carry forward expenditure from 2013/14 and changes in capital to be funded from revenue.

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

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

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

(£000s)	Revised Budget	Actual	Difference
Committee			
Community Services	10,860	10,708	(152)
Environment	8,942	7,510	(1,432)
Housing (General Fund)	3,475	3,186	(289)
Strategy & Resources	(1,718)	(3,341)	(1,623)
Net Spending on Services	**21,559**	**18,063**	**(3,496)**
Capital Accounting Adjustments	(4,985)	(4,983)	2
Capital and Revenue Projects Spending Funded from Revenue	2,230	1,840	(390)
Contribution to NNDR earmarked reserve - recovery of deficit in future years	0	1,303	1,303
Contributions to Earmarked Reserves – before statutory accounting adjustments	617	(208)	(825)
Contributions to/(from) General Fund Reserve	(1,752)	3,047	4,799
Total	**17,669**	**19,062**	**1,393**
Financed by:			
Revenue Support Grant	4,311	4,311	0
New Homes Bonus (NHB)	3,376	3,389	13
Non-domestic rates – net income	3,182	4,543	1,361
Other Specific Grants	94	113	19
Council Tax	6,706	6,706	0
Total	**17,669**	**19,062**	**1,393**

The Council’s actual net revenue spending on the provision of services was £3,496,000 less than the revised budget set for the year. A variety of factors contributed to this overall position. In many areas there have been underspends on staff costs. In addition there have been increases in income over budget, for example in the Council’s car parks.

The total amount of capital and revenue project expenditure funded from revenue was below the revised budget by £390,000 largely reflecting slippage on the timing of expenditure.

In addition to Council Tax and Revenue Support Grant from central government, the Council retains an element of business rates collected in the city above an assumed ‘baseline’ level, paying the reminder to central government as a ‘levy’. If business rates income falls to less than 92.5% of the baseline, the Council receives a ‘safety net’ payment so that any loss of income below the baseline is capped at 7.5%.

Whilst there is the potential for the Council to benefit from business rates growth in the City, there is also a degree of risk in that the Council has to bear a proportion of any reduction in business rates, for example as a consequence of demolition of premises or reductions in the rateable value of existing properties (including retrospective reductions).

Under statutory regulation the amount of business rates credited to the General Fund in 2014/15 is based on an estimate, with any resulting difference being recovered from the General Fund, or paid to it in future years. However any safety net or levy payments are accounted for in 2014/15. The Council maintains an earmarked reserve to manage business rates retention and these timing differences.

Income from the business rates scheme (including business rate relief compensatory grants from central government and payment of a levy to central government of £667,000) exceeded the revised budget by £1,361,000. However, £1,303,000 of this sum will be payable back to the Collection Fund in future years so has been set aside in an earmarked reserve.

Excluding the contribution above, at outturn the General Fund received a net income from earmarked reserves (before statutory adjustments) of £208,000, against a budgeted contribution of £617,000. Business rates income planned to be earmarked for future investment in commercial property has instead been credited to General Fund Reserves.

A net contribution to the General Fund Reserve of £3,047,000 was made for the year and, at the year-end, the reserve stood at £12,037,000.

Housing Revenue Account

The Housing Revenue Account (HRA) budget for 2014/15 was set based upon a revised investment strategy, to deliver a sustainable financial position over the coming 30-year period of the HRA Self-Financing Business Plan, providing for funds to be set-aside to allow the authority to redeem 25% of its debt portfolio at loan maturity, should the authority so choose, whilst facilitating significant investment in the delivery of new affordable housing.

For 2014/15 the budget was originally set with the intention of contributing £70,000 to HRA reserves, with the expectation that by the end of 2015/16, reserves would be reduced to, and maintained at, the agreed target level of £3 million. The current strategy includes a minimum level of reserves of £2 million, with a target level of £3 million, creating the ability to invest in short-term projects which are anticipated to pay back quickly.

During the financial year, in June 2014, approval was given to carry forward resources of £3,393,000, to fund expenditure re-phased from 2014/15. The majority of this sum was towards meeting the costs of capital investment in the housing stock. Further changes in the planned use of reserves for 2014/15 were made as part of the HRA Mid-Year financial review.

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Scrutiny Committee in June 2015, with the revised budget for 2014/15.

(£000s)	Revised Budget	Actual	Difference
Dwelling Rents and Other Income	(40,140)	(40,116)	24
Expenditure	24,803	26,246	1,443
Net cost of HRA Services	**(15,337)**	**(13,870)**	**1,467**
Interest receivable on HRA balances	(154)	(278)	(124)
Loan interest	7,547	7,502	(45)
Contributions to housing set aside earmarked reserve	811	811	0
Depreciation adjustment (Transfer from Major Repairs Reserve)	(2,394)	(4,147)	(1,753)
Revaluation loss on non-dwelling assets	0	95	95
Direct Revenue Financing of Capital	14,338	5,115	(9,223)
Contribution from earmarked reserves to General HRA reserves	(1,213)	(1,213)	0
(Surplus)/deficit for the year	**3,598**	**(5,985)**	**(9,583)**

The variance on net cost of HRA services largely reflects a variance on depreciation of £1,746,000. This was compensated for by an increased transfer from the Major Repairs Reserve.

The outturn position was a net contribution to reserves of £5,985,000. Requests have been made to carry forward funding of £9,092,000 into 2015/16, reflecting re-phasing of a number of projects, but particularly recognising the deferred need to use reserves to fund capital expenditure in light of slippage in the Housing Capital Investment Programme.

HRA available reserves stood at £14,865,000 at the year-end.

Capital Spending and Receipts

In 2014/15 the Council spent £27,271,000 on property, plant and equipment. Of this £13,248,000 was on major repairs and improvements to council dwellings, £1,733,000 on vehicles, plant and equipment and £9,927,000 on assets in the course of construction (including £9,159,000 on the redevelopment of housing stock).

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £12,744,000 in the year, of which £1,279,000 had to be paid over to central government.

External Borrowing

The Council did not need to undertake any new external borrowing during the year. The external debt of £214 million shown in the Balance Sheet at the end of the financial year relates to borrowing undertaken in 2011/12 to meet a one-off debt settlement payment to Central Government in relation to new Self-Financing arrangements for the Housing Revenue Account.

Pension Costs

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £124.8 million at 31 March 2015. This liability has no impact on the level of the Council's available reserves.

The liability has increased significantly this year as a result of a reduction in the discount rate used by the actuary to estimate the Council's liability. Further information on this change and relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented in note 36 starting on page 63.

Looking ahead to 2015/16

The current Spending Round period finishes at the end of 2015/16. It is anticipated that the next Spending Review will continue to reflect increased financial pressures on local government.

The Council's Business Transformation Programme will continue to develop major new initiatives, both in terms of sharing services with other Councils and in terms of the Council's own support services.

A new arts trust charity, Cambridge Live, started running the Cambridge Corn Exchange and Folk Festival, as well as other aspects of the arts and recreation service from 1 April 2015.

The Chancellor of the Exchequer announced a business rates retention scheme pilot in the Budget Statement in March 2015.

The pilot scheme will allow councils in Cambridgeshire to retain 100% of any additional business rate growth beyond expected forecasts starting from 1 April 2015. The purpose of the scheme is to incentivise local authorities to encourage business growth within their areas.

Further Information

Further information about the accounts is available from:

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

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

MAIN FINANCIAL STATEMENTS

Movement in Reserves Statement

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

Financial year 2014/15

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2014	**(8,990)**	**(23,973)**	**(8,880)**	**(4,320)**	**(17,593)**	**(4,919)**	**(11,058)**	**(79,733)**	**(453,550)**	**(533,283)**
Movement in reserves during 2014/15										
(Surplus) / deficit on the provision of services	2,288	0	(30,181)	0	0	0	0	(27,893)	0	(27,893)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(9,196)	(9,196)
Total Comprehensive income and expenditure	**2,288**	**0**	**(30,181)**	**0**	**0**	**0**	**0**	**(27,893)**	**(9,196)**	**(37,089)**
Adjustments between accounting basis and funding basis under regulations (Note 4)	(6,598)	0	24,346	0	(4,491)	2,700	(379)	15,578	(15,578)	0
Net (increase) / decrease before transfers to earmarked reserves	**(4,310)**	**0**	**(5,835)**	**0**	**(4,491)**	**2,700**	**(379)**	**(12,315)**	**(24,774)**	**(37,089)**
Transfers to / from earmarked reserves (Note 5)	1,263	(1,263)	(150)	150	0	0	0	0	0	0
(Increase) / decrease in 2014/15	**(3,047)**	**(1,263)**	**(5,985)**	**150**	**(4,491)**	**2,700**	**(379)**	**(12,315)**	**(24,774)**	**(37,089)**
Balance at 31 March 2015	**(12,037)**	**(25,236)**	**(14,865)**	**(4,170)**	**(22,084)**	**(2,219)**	**(11,437)**	**(92,048)**	**(478,324)**	**(570,372)**

Financial Year 2013/14

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2013	**(7,995)**	**(20,236)**	**(5,495)**	**(3,863)**	**(13,210)**	**(5,111)**	**(4,155)**	**(60,065)**	**(425,125)**	**(485,190)**
Movement in reserves during 2013/14										
(Surplus) / deficit on the provision of services	(3,275)	0	(16,325)	0	0	0	0	(19,600)	0	(19,600)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(28,493)	(28,493)
Total Comprehensive income and expenditure	**(3,275)**	**0**	**(16,325)**	**0**	**0**	**0**	**0**	**(19,600)**	**(28,493)**	**(48,093)**
Adjustments between accounting basis and funding basis under regulations (Note 4)	(1,457)	0	12,483	0	(4,383)	192	(6,903)	(68)	68	0
Net (increase) / decrease before transfers to earmarked reserves	**(4,732)**	**0**	**(3,842)**	**0**	**(4,383)**	**192**	**(6,903)**	**(19,668)**	**(28,425)**	**(48,093)**
Transfers to / from earmarked reserves (Note 5)	3,737	(3,737)	457	(457)	0	0	0	0	0	0
(Increase) / decrease in 2013/14	**(995)**	**(3,737)**	**(3,385)**	**(457)**	**(4,383)**	**192**	**(6,903)**	**(19,668)**	**(28,425)**	**(48,093)**
Balance at 31 March 2014	**(8,990)**	**(23,973)**	**(8,880)**	**(4,320)**	**(17,593)**	**(4,919)**	**(11,058)**	**(79,733)**	**(453,550)**	**(533,283)**

Comprehensive Income and Expenditure Statement

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

(£000s)	Notes	2014/15			2013/14		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		2,453	(763)	1,690	2,422	(829)	1,593
Cultural and related services		13,431	(4,555)	8,876	15,032	(4,867)	10,165
Environmental and related services		14,922	(6,464)	8,458	13,788	(5,610)	8,178
Planning Services		8,406	(3,238)	5,168	8,287	(3,043)	5,244
Highways and transport services		6,704	(9,858)	(3,154)	6,894	(8,965)	(2,071)
Housing Revenue Account	3	10,152	(40,045)	(29,893)	17,381	(38,162)	(20,781)
Other housing services		46,050	(41,135)	4,915	43,586	(39,192)	4,394
Corporate and democratic core		2,788	0	2,788	2,818	0	2,818
Non distributed costs		130	0	130	112	0	112
Cost of Services		**105,036**	**(106,058)**	**(1,022)**	**110,320**	**(100,668)**	**9,652**
Other operating expenditure	6	1,133	(5,143)	(4,010)	1,178	(1,485)	(307)
Financing and investment income and expenditure	7	12,846	(12,265)	581	12,503	(12,331)	172
Taxation and non-specific grant income	3/8	0	(23,442)	(23,442)	0	(29,117)	(29,117)
(Surplus) / deficit on provision of services	**9**	**119,015**	**(146,908)**	**(27,893)**	**124,001**	**(143,601)**	**(19,600)**
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	3/32			(34,239)			(25,490)
Remeasurements of the net defined benefit liability	3/36			24,477			(3,003)
				(9,762)			**(28,493)**
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
Surplus or deficit on revaluation of available for sale financial assets				**566**			**0**
Other comprehensive (income) / expenditure				**(9,196)**			**(28,493)**
Total comprehensive (income) / expenditure				**(37,089)**			**(48,093)**

Balance Sheet

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

(£000s)	Notes	31 March 2015	31 March 2014
Property, Plant and Equipment	15	687,238	643,773
Heritage Assets		470	430
Investment Property	20	121,765	118,529
Intangible Assets		456	506
Long Term Investments	22	15,484	6,128
Long Term Debtors	23	1,037	1,029
Long Term Assets		**826,450**	**770,395**
Short Term Investments	22	86,318	70,069
Assets Held for Sale	24	9,708	4,492
Inventories		268	274
Short Term Debtors	25	11,115	17,195
Cash and Cash Equivalents	26	7,268	6,573
Current Assets		**114,677**	**98,603**
Short Term Borrowing	34	(82)	0
Short Term Creditors	27	(17,088)	(11,682)
Receipts in Advance	28	(4,287)	(6,314)
Provisions	29	(2,828)	(3,543)
Current Liabilities		**(24,285)**	**(21,539)**
Long Term Borrowing	34	(213,572)	(213,654)
Other Long Term Liabilities	36	(124,811)	(95,201)
Capital Grants Receipts in Advance	30	(8,087)	(5,321)
Long Term Liabilities		**(346,470)**	**(314,176)**
Net Assets		**570,372**	**533,283**
Usable Reserves	31	(92,048)	(79,733)
Unusable Reserves	32	(478,324)	(453,550)
Total Reserves		**(570,372)**	**(533,283)**

These financial statements were authorised for issue on yy June 2015.

Cash Flow Statement

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

(£000s)	Notes	2014/15	2013/14
Cash flows from operating activities			
Cash receipts		168,368	151,711
Cash payments		(132,568)	(129,808)
Net cash flows from operating activities	**37**	**35,800**	**21,903**
Net cash flows from investing activities	**38**	**(35,259)**	**(24,883)**
Net cash flows from financing activities	**39**	**154**	**1,819**
Net (decrease) / increase in cash and cash equivalents		**695**	**(1,161)**
Cash and cash equivalents at the beginning of the year	**26**	6,573	7,734
Cash and cash equivalents at the end of the year	**26**	**7,268**	**6,573**

NOTES TO THE MAIN FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE MAIN FINANCIAL STATEMENTS

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 87 to 103, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and significantly reduce levels of service provision.

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

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

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The net pension liability at 31 March 2015 is estimated to be £124.8 million and the estimated effects on the liability of changes in individual assumptions is disclosed in Note 36.

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council did not sustain its current spending on repairs and maintenance the useful lives currently assigned to assets may be reduced.

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall. It is estimated that the annual depreciation charge for assets would increase by approximately £800,000 for every year that useful lives had to be reduced.

Business Rates

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

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2015 following successful rating valuation appeals. The Council's share of this provision is £2.5 million as disclosed in Note 29. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made on historical experience.

3 Material Items of Income and Expenditure

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

A net credit for reversal of previous revaluation losses of £16.8 million on council housing stock has been credited to expenditure within the HRA net cost of service line. The comparative figure for 2013/14 includes a net credit of £6.8 million. More detail on the movements in the value of the Council's housing stock can be found in note 15 to the main financial statements.

The Council's share of non-domestic rates income totalling £36.8 million (£33.9 million in 2013/14) and the tariff of £32.9 million (£32.3 million in 2013/14) payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

The surplus on revaluation of Property, Plant and Equipment includes a net £24.4 million gain (£7.8 million in 2013/14) in respect of the Council's housing stock.

There is a total charge for the measurements of the Council's net defined benefit pension liability of £24.5 million. This net charge reflects a number of aspects as detailed in note 36 to the accounts. Most significantly, there is a charge of £41.4 million in respect of 2014/15 reflecting a change in the financial assumptions used by the actuary to estimate the pension liability.

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

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

General Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Financial year 2014/15

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(5,163)	0	0	0	0	5,163
Net revaluation (losses)/gains on property, plant and equipment	(1,875)	16,770	0	0	0	(14,895)
Net revaluation (losses)/gains on assets held for sale	146	0	0	0	0	(146)
Movements in the market value of investment properties	3,330	142	0	0	0	(3,472)
Amortisation of intangible assets	(130)	0	0	0	0	130
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,526)	(597)	0	0	0	2,123
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(935)	(10,051)	0	0	0	10,986
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(33)	0	0	0	0	33
Capital expenditure charged against General Fund and HRA balances	2,449	5,115	0	0	0	(7,564)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,386	1,230	0	0	(4,616)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	4,237	(4,237)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	24	12,720	(12,744)	0	0	0
Other capital receipts	0	180	(180)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	7,178	0	0	(7,178)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,279)	0	1,279	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(12)	0	0	12
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(12)	0	0	12
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sales proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal	0	3,193	0	0	0	(3,193)
Adjustments primarily involving the Major Repairs Reserve:						
HRA depreciation	0	0	0	(12,076)	0	12,076
Reversal of Major Repairs Allowance credited to the HRA	0	(4,147)	0	4,147	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,629	0	(10,629)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	34	0	0	0	0	(34)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,966)	(1,262)	0	0	0	10,228
Employer's pension contributions and direct payments to pensioners payable in the year	4,050	1,045	0	0	0	(5,095)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(117)	0	0	0	0	117
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	0	0	0	0	(15)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(8)	8	0	0	0	0
Total adjustments	**(6,598)**	**24,346**	**(4,491)**	**2,700**	**(379)**	**(15,578)**

Financial year 2013/14

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(4,658)	0	0	0	0	4,658
Net revaluation (losses)/gains on property, plant and equipment	(1,717)	6,734	0	0	0	(5,017)
Net revaluation (losses)/gains on assets held for sale	(152)	17	0	0	0	135
Movements in the market value of investment properties	3,090	756	0	0	0	(3,846)
Amortisation of intangible assets	(114)	0	0	0	0	114
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,786)	(404)	0	0	0	2,190
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(230)	(7,127)	0	0	0	7,357
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(23)	0	0	0	0	23
Capital expenditure charged against General Fund and HRA balances	2,569	6,406	0	0	0	(8,975)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	10,829	549	0	0	(11,378)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	4,475	(4,475)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	147	8,648	(8,795)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,414	0	0	(3,414)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,044)	0	1,044	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(31)	0	0	31
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(15)	0	0	15
Adjustments primarily involving the Major Repairs Reserve:						
HRA depreciation	0	0	0	(10,619)	0	10,619
Reversal of Major Repairs Allowance credited to the HRA	0	(2,941)	0	2,941	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,870	0	(7,870)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(41)	0	0	0	0	41
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,167)	(1,018)	0	0	0	10,185
Employer's pension contributions and direct payments to pensioners payable in the year	4,090	858	0	0	0	(4,948)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(3,238)	0	0	0	0	3,238
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)	(1)	0	0	0	7
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(6)	6	0	0	0	0
Total adjustments	**(1,457)**	**12,483**	**(4,383)**	**192**	**(6,903)**	**68**

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

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans together with the amounts of earmarked reserves used to meet General Fund and HRA expenditure in 2014/15.

(£000s)	2013/14				2014/15		Balance at 31 March 2015
	Balance at 1 April 2013	Transfers In	Transfers Out	Balance at 31 March 2014	Transfers In	Transfers Out	
General Fund:							
Asset Repair and Renewals Reserves	(14,153)	(3,363)	3,601	(13,915)	(3,706)	3,257	(14,364)
Insurance Fund	(1,075)	(754)	663	(1,166)	(722)	598	(1,290)
Technology Investment Fund	(141)	0	8	(133)	0	4	(129)
Development Plan Reserve	(395)	(317)	135	(577)	(182)	208	(551)
Compulsory Purchase Order Compensation Reserve	(583)	0	361	(222)	0	0	(222)
Major Planning Appeals Reserve	0	(428)	293	(135)	(26)	0	(161)
Revenue Contributions to Capital	(178)	0	42	(136)	0	18	(118)
Efficiency Fund	(490)	0	117	(373)	(19)	175	(217)
Pension Reserve	(493)	(493)	0	(986)	0	0	(986)
Climate Change Fund	(410)	(3)	66	(347)	0	0	(347)
Keep Cambridge Moving	0	(436)	0	(436)	0	0	(436)
Business Rates Retention	0	(3,405)	0	(3,405)	(1,303)	1,292	(3,416)
Fixed Term Priority Projects	0	0	0	0	(286)	0	(286)
Sharing Prosperity	0	0	0	0	(493)	0	(493)
Other	(2,318)	(454)	630	(2,142)	(826)	748	(2,220)
Total	**(20,236)**	**(9,653)**	**5,916**	**(23,973)**	**(7,563)**	**6,300**	**(25,236)**
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(2,149)	(338)	95	(2,392)	(545)	1,108	(1,829)
Shared Ownership Reserve	(300)	0	0	(300)	0	0	(300)
Other	(1,414)	(231)	17	(1,628)	(845)	432	(2,041)
Total	**(3,863)**	**(569)**	**112**	**(4,320)**	**(1,390)**	**1,540**	**(4,170)**

6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2014/15		2013/14	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	1,279	0	1,044
Impairment losses on assets held for sale	0	(146)	0	134
(Gains) / losses on the disposal of non-current assets	(4,963)	0	(1,485)	0
Other income	(180)	0	0	0
	(5,143)	**1,133**	**(1,485)**	**1,178**

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

(£000s)	2014/15		2013/14	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,496	0	7,496
Impairment of investments	0	(59)	0	(343)
Net interest on the net defined benefit liability	0	4,111	0	4,201
Gains and losses on trading	(125)	69	(35)	0
Interest receivable and similar income	(789)	0	(710)	0
Income and expenditure in relation to investment properties and changes in their fair value	(11,351)	1,229	(11,586)	1,149
	(12,265)	**12,846**	**(12,331)**	**12,503**

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

(£000s)	2014/15	2013/14
Council tax income	(6,601)	(6,421)
Net council share of business rates income	(3,842)	(1,618)
Non-domestic rates retention – safety net payment due from central government	0	(1,571)
Non-ringfenced government grants	(8,783)	(8,129)
Capital grants and contributions	(4,216)	(11,378)
	(23,442)	**(29,117)**

The business rates income retained by the Council under the business rates retention scheme of £3,842,000 (2013/14 - £1,618,000) comprises the Council's share of income of £36,757,000 (2013/14 - £33,904,000) less a tariff payment due to central government of £32,915,000 (2013/14 - £32,286,000).

9 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SERCOP). However, decisions about resource allocation are taken by the Council's Executive on the basis of financial information analysed by portfolio. Reports presented to members are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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

(£000s)	2014/15	2013/14
Net Expenditure for the year as reported to management		
General Fund		
Community Services		
City Centre and Public Places	2,753	2,109
Community Arts and Recreation	7,955	7,469
	10,708	**9,578**
Environment		
Environment, Waste and Public Health	7,776	7,880
Planning Policy and Transport	(266)	1,039
	7,510	**8,919**
Housing		
Housing General Fund	**3,186**	**3,479**
Strategy & Resources		
Finance and Resources	(5,999)	(6,259)
Strategy and Transformation	2,658	3,449
	(3,341)	**(2,810)**
Total General Fund	**18,063**	**19,166**
Housing Revenue Account		
Housing – HRA	(13,870)	(15,074)
	4,193	**4,092**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(9,390)	1,083
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	4,175	4,477
Cost of Services in the Comprehensive Income and Expenditure Statement	**(1,022)**	**9,652**

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

Financial year 2014/15

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(77,864)	0	33	(102)	12,276	(65,657)
Interest and investment income	(484)	(278)	0	(3,499)	(7,879)	(12,140)
Income from council tax	0	(6,706)	0	105	0	(6,601)
Income from non-domestic rates	0	(3,853)	0	11	0	(3,842)
Gain on disposal of assets and other capital receipts	0	0	0	(5,143)	0	(5,143)
Government grants, donations and contributions	(40,406)	(8,503)	0	(4,616)	0	(53,525)
Total Income	**(118,754)**	**(19,340)**	**33**	**(13,244)**	**4,397**	**(146,908)**
Employee expenses	23,471	0	0	1,007	13,159	37,637
Other service expenses	67,931	0	(3,328)	4,529	(3,005)	66,127
Recharges	15,552	0	0	0	(15,552)	0
Depreciation, amortisation and impairment	15,991	95	0	(14,722)	1,060	2,424
Interest payments	2	7,502	(8)	4,111	(59)	11,548
Payments to Housing Receipts Pool	0	0	0	1,279	0	1,279
Total Expenditure	**122,947**	**7,597**	**(3,336)**	**(3,796)**	**(4,397)**	**119,015**
(Surplus) / Deficit on the provision of services	**4,193**	**(11,743)**	**(3,303)**	**(17,040)**	**0**	**(27,893)**

Financial year 2013/14

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(74,090)	0	0	0	12,897	(61,193)
Interest and investment income	(580)	(113)	0	(3,863)	(7,740)	(12,296)
Income from council tax	0	(6,254)	0	(167)	0	(6,421)
Income from non-domestic rates	0	(6,396)	0	3,207	0	(3,189)
Gain on disposal of assets and other capital receipts	0	0	0	(1,485)	0	(1,485)
Government grants, donations and contributions	(39,509)	(8,130)	0	(11,378)	0	(59,017)
Total Income	**(114,179)**	**(20,893)**	**0**	**(13,686)**	**5,157**	**(143,601)**
Employee expenses	22,682	0	0	1,043	13,999	37,724
Other service expenses	66,282	0	(2,965)	3,848	(3,795)	63,370
Recharges	16,404	0	0	0	(16,404)	0
Depreciation, amortisation and impairment	12,901	0	(84)	(3,880)	1,572	10,509
Interest payments	2	7,494	0	4,387	(529)	11,354
Payments to Housing Receipts Pool	0	0	0	1,044	0	1,044
Total Expenditure	**118,271**	**7,494**	**(3,049)**	**6,442**	**(5,157)**	**124,001**
(Surplus) / Deficit on the provision of services	**4,092**	**(13,399)**	**(3,049)**	**(7,244)**	**0**	**(19,600)**

10 Agency Services

Box Office Services

The Council operates a box office for private promoters for performances and events held at the Corn Exchange. Gross income collected and paid over to promoters was £3,141,000 in 2014/15 (£3,186,000 in 2013/14.)

11 Members' Allowances

The total allowances paid to members during the financial year 2014/15 were £244,295 (£240,236 in 2013/14) as analysed below. Details of payments to individual members are published annually in a local newspaper.

(£)	2014/15	2013/14
Basic allowance payments	116,146	115,683
Special responsibility payments	125,057	121,488
Childcare allowance	534	345
Travel and subsistence payments:		
Subsistence	323	170
Travel claims	629	543
Travel warrants	555	503
Taxi fares	169	177
Mileage claims	882	1,327
	244,295	**240,236**

Additional civic responsibility payments were made to the Mayor and Deputy Mayor outside of the Members Allowances Scheme. These totalled £5,810 (£5,700 in 2013/14).

12 Related Party Transactions

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (for example, Housing Benefits). Details of government grants received are set out in Note 30.

Members of the Council have direct control over the Council's financial and operating policies. During 2014/15 the Council gave grants totalling £146,931 (£232,091 in 2013/14) to voluntary organisations in which 10 (10 in 2013/14) members had an interest. £0 (£0 in 2013/14) of these grants were unpaid at the year end.

The relevant members did not take part in any discussion or decision relating to the grants. In addition one of these organisations has a long term loan from the Council as disclosed in Note 23 to the accounts.

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

13 Employee Remuneration

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

	2014/15	2013/14
£50,000 to £54,999	2	1
£55,000 to £59,999	4	4
£60,000 to £64,999	2	5
£65,000 to £69,999	6	6
£70,000 to £74,999	3	3
£80,000 to £84,999	1	0
£85,000 to £89,999	2	1
£90,000 to £94,999	1	1
£115,000 to £119,999	1	1
£135,000 to £139,999	0	1
Total	**22**	**23**

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

Financial year 2014/15

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

Notes:

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

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

Financial year 2013/14

(£) Position / Name	Note	Salary	Allowances & Benefits in Kind	Redundancy	Pension Contribution	Total
Chief Executive (A Jackson)	1	117,859	0	0	21,922	139,781
Director of Resources (D Horspool)	2	91,891	10	44,939	17,092	153,932
Director of Environment (S Payne)		88,646	0	0	16,488	105,134
Director of Customer & Community Services (L Bisset)		91,891	0	0	17,092	108,983
Director of Business Transformation (R Ward)	3	20,970	0	0	3,900	24,870
Head of Corporate Strategy (A Limb)		65,951	0	0	12,267	78,218

Notes:

1. The Chief Executive received Election Payments of £4,550 in addition to the above.
2. The Director of Resources left the Council on 31 March 2014.
3. The Director of Business Transformation joined the Council on 6 January 2014.

During February and March 2014 the Section 151 (Chief Financial Officer) role was undertaken by Alex Colyer, the Executive Director, Corporate Services and Chief Finance Officer of South Cambridgeshire District Council. The Council paid South Cambridgeshire £1,914 for this service during 2013/14.

The number of exit packages, analysed between compulsory redundancies and other departures, and the total cost per band are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000	8	17	0	1	8	18	82	70
£20,001 - £40,000	3	3	0	0	3	3	88	72
£40,001 - £60,000	0	2	0	0	0	2	0	102
£60,001 - £80,000	0	1	0	0	0	1	0	64
Total	**11**	**23**	**0**	**1**	**11**	**24**	**170**	**308**

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

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

14 Audit Costs

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

(£000s)	2014/15	2013/14
Fees payable to the appointed external auditor in respect of:		
External audit services	69	69
Certification of grant claims and returns	16	21
	85	**90**

15 Property, Plant and Equipment

Financial year 2014/15

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation								
At 1 April 2014	**497,772**	**127,172**	**17,259**	**2,589**	**1,122**	**5,230**	**6,365**	**657,509**
Additions	13,248	1,403	1,733	945	15	0	9,927	27,271
Revaluation increases/(decreases) recognised in the revaluation reserve	12,534	4,895	0	0	0	4	(32)	17,401
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	16,771	(1,972)	0	0	0	2	0	14,801
Derecognition – disposals	(3,778)	0	(412)	0	0	0	(34)	(4,224)
Derecognition – other	(344)	(949)	0	0	0	(2,662)	(11)	(3,966)
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(26)	(26)
Assets reclassified from Investment Properties	0	400	0	0	0	0	0	400
Assets reclassified (to) / from held for sale	0	(3,294)	(489)	0	0	(1,977)	0	(5,760)
Assets reclassified (to) / from other categories of property, plant and equipment	1,897	1,237	94	45	14	(400)	(2,899)	(12)
At 31 March 2015	**538,100**	**128,892**	**18,185**	**3,579**	**1,151**	**197**	**13,290**	**703,394**
Accumulated Depreciation and Impairment								
At 1 April 2014	**0**	**(4,334)**	**(8,902)**	**(378)**	**0**	**(122)**	**0**	**(13,736)**
Depreciation charge	(11,781)	(3,625)	(1,645)	(76)	0	(113)	0	(17,240)
Depreciation written out to the Revaluation Reserve	11,700	1,878	0	0	0	2	0	13,580
Derecognition – disposals	77	0	409	0	0	0	0	486
Derecognition – other	0	41	0	0	0	144	0	185
Assets reclassified to / from Held for Sale	0	1	470	0	0	83	0	554
Assets reclassified to / from other categories of property, plant and equipment	4	2	0	0	0	6	0	12
Other movements	0	0	3	0	0	0	0	3
At 31 March 2015	**0**	**(6,037)**	**(9,665)**	**(454)**	**0**	**0**	**0**	**(16,156)**
Net Book Value								
At 31 March 2015	**538,100**	**122,855**	**8,520**	**3,125**	**1,151**	**197**	**13,290**	**687,238**
At 31 March 2014	**497,772**	**122,838**	**8,357**	**2,211**	**1,122**	**5,108**	**6,365**	**643,773**

Financial year 2013/14

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation								
At 1 April 2013	**486,503**	**116,418**	**15,059**	**2,042**	**1,077**	**4,216**	**2,288**	**627,603**
Opening adjustment between cost and accumulated depreciation	0	164	0	0	(25)	0	0	139
Additions	12,471	987	2,422	547	52	1,444	4,306	22,229
Revaluation increases/(decreases) recognised in the revaluation reserve	(2,477)	13,024	0	0	0	0	0	10,547
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	6,759	(1,742)	0	0	0	0	0	5,017
Derecognition – disposals	(4,133)	0	0	0	0	0	0	(4,133)
Derecognition – other	(627)	(85)	0	0	0	(1,166)	(16)	(1,894)
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(38)	(38)
Assets reclassified (to) / from held for sale	0	(495)	(312)	0	0	(1,134)	0	(1,941)
Assets reclassified (to) / from other categories of property, plant and equipment	(724)	(1,099)	90	0	18	1,870	(175)	(20)
At 31 March 2014	**497,772**	**127,172**	**17,259**	**2,589**	**1,122**	**5,230**	**6,365**	**657,509**
Accumulated Depreciation and Impairment								
At 1 April 2013	**0**	**(5,736)**	**(7,579)**	**(323)**	**(25)**	**(68)**	**0**	**(13,731)**
Opening adjustment between cost and accumulated depreciation	0	(164)	0	0	25	0	0	(139)
Depreciation charge	(10,382)	(3,140)	(1,615)	(55)	0	(85)	0	(15,277)
Depreciation written out to the Revaluation Reserve	10,247	4,698	0	0	0	0	0	14,945
Derecognition – disposals	81	0	0	0	0	0	0	81
Derecognition – other	0	6	0	0	0	54	0	60
Assets reclassified to / from Held for Sale	0	0	292	0	0	12	0	304
Assets reclassified to / from other categories of property, plant and equipment	54	2	0	0	0	(35)	0	21
At 31 March 2014	**0**	**(4,334)**	**(8,902)**	**(378)**	**0**	**(122)**	**0**	**(13,736)**
Net Book Value								
At 31 March 2014	**497,772**	**122,838**	**8,357**	**2,211**	**1,122**	**5,108**	**6,365**	**643,773**
At 31 March 2013	**486,503**	**110,682**	**7,480**	**1,719**	**1,052**	**4,148**	**2,288**	**613,872**

16 Property Plant and Equipment - Revaluations

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

Current year revaluations were carried out externally by:

Mr G Harbord MA MRICS IRRV(Hons) (Wilks Head and Eve)
Ms A Briggs BA (Hons) MRICS (Bidwells LLP)
Ms A Groom MA MRICS (Bidwells LLP)
Ms B Darby MRICS (Bidwells LLP)

The basis for valuation is set out in the statement of accounting policies on page 98.

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

In reaching the final valuation figures, Bidwells has departed from the RICS Valuation – Professional Standards (January 2014) prepared by the Royal Institution of Chartered Surveyors. This is because the valuation of the portfolio is such that Bidwells has not been instructed to re-inspect any of the properties. They have therefore relied on information either obtained by them in 1995, 2000, 2005, 2010 and 2015, or subsequently provided by Cambridge City Council in order to reach their conclusions.

Bidwells did undertake an external visual inspection of the properties valued. The Council provides updated information on each property to Bidwells to supplement the detail they already hold and meetings are held to plan and discuss the valuations. These would highlight any significant changes.

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

The following table shows the current carrying value of assets by the date of the most recent valuation:

(£000s)	Council Dwellings	Other Land and Buildings	Surplus Assets	Total
Valued at fair value as at:				
31 March 2015	538,100	111,471	197	649,768
31 March 2014	0	3,213	0	3,213
31 March 2013	0	750	0	750
31 March 2012	0	4,150	0	4,150
31 March 2011	0	3,271	0	3,271
Total Valuation	**538,100**	**122,855**	**197**	**661,152**

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

17 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. These are placed into four useful-life bandings. In general, assets built before 1945 are assessed as having a remaining useful life of 27 years, those built between 1945 and 1974 have a remaining useful life of 37 years, those built between 1974 and 2010 have a remaining useful life of 47 years and those built after 2010 have a useful life of 80 years.

The useful lives of other assets are generally estimated as:

- Infrastructure Assets – 20 to 40 years
- Other buildings (main structure) – 20 to 90 years. Material components may be depreciated over a lesser term.
- Vehicles, Plant and Equipment – 3 to 20 years

18 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

(£000s)	2014/15	2013/14
Opening Capital Financing Requirement	**215,906**	**215,604**
Capital Expenditure		
Property, Plant and Equipment	27,271	20,507
Investment Properties	164	322
Intangible Assets	53	110
Non-current assets held for sale	114	152
Donated Assets		
Property, Plant and Equipment	0	1,722
Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure		
Revenue Expenditure Funded from Capital	1,428	1,576
De-minimis capital expenditure	695	614
Loans Advanced		
Private Sector Housing Improvement Loans	35	33
Purchase of Shares		
Local Government Finance Company	50	0
Revaluation losses on non-dwelling HRA assets charged to the Comprehensive Statement of Income and Expenditure	(96)	0
Sources of finance		
Capital receipts	(7,178)	(3,414)
Government grants and other contributions	(4,237)	(4,475)
Revenue and reserves	(18,193)	(16,845)
Closing capital financing requirement	**216,012**	**215,906**

19 Capital Commitments

At 31 March 2015, the Council was contractually committed to capital work valued at approximately £16.4 million, as shown in the following table.

(£000s)	31 March 2015	31 March 2014
Property, Plant and Equipment		
Clay Farm Community Centre	217	213
Vehicle asset replacements	178	87
Roman Court	0	633
HRA New Build Properties	9,743	4,245
Housing Capital Programme	1,785	0
Logan's Meadow nature reserve extension	0	79
Box Office ticketing system	0	58
Water play areas	0	351
Other works – less than £50,000 per contract	0	108
Assets held for sale/Property Plant and Equipment		
Land at Clay Farm	1,692	2,522
Assets Held For Sale		
Development land on Kings Hedges Road	67	42
Investment Properties		
Lion Yard contribution to works	78	14
Kettle's Yard	0	40
Revenue Expenditure Funded from Capital Under Statute		
Private Sector Housing Improvements	284	0
Community Development Grants Programme	121	260
Green Deal Grants	2,274	0
	16,439	**8,652**

20 Investment Properties

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

(£000s)	2014/15	2013/14
Rental income from investment property	(7,879)	(7,740)
Direct operating expenses arising from investment property	365	503
Net gain	**(7,514)**	**(7,237)**

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

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

(£000s)	2014/15	2013/14
Balance at start of the year	**118,529**	**114,476**
Additions:		
Subsequent expenditure	164	322
Net gains / (losses) from fair value adjustments	3,472	3,846
Disposals	0	(115)
Transfers:		
(To) / from Property, Plant and Equipment	(400)	0
Transfers from assets in the course of construction	0	0
Balance at the end of the year	**121,765**	**118,529**

21 Leases

Council as Lessee

Finance Leases

The carrying value of investment properties held under finance leases was £1,660,000 at 31 March 2015 (£1,660,000 at 31 March 2014). Secondary lease payments of £2,247 in each of 2013/14 and 2014/15 were accounted for as finance costs. This annual charge will continue until 2035.

These relate to industrial units held under finance leases which are then leased out under operating leases and the total minimum lease payments are £53,866 at 31 March 2015 (£80,632 at 31 March 2014).

The Council leases in three car parks under long-term peppercorn leases. The carrying value of these car parks included in Property, Plant and Equipment was £25,027,500 at 31 March 2015 (£23,957,500 at 31 March 2014).

Operating Leases

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

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

(£000s)	31 March 2015	31 March 2014
Not later than one year	80	388
Later than one year and not later than five years	250	283
Later than five years	0	50
	330	**721**

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

(£000s)	2014/15	2013/14
Minimum lease payments	**371**	**493**

Council as Lessor

Operating Leases

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

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

(£000s)	31 March 2015	31 March 2014
Not later than one year	3,761	4,192
Later than one year and not later than five years	10,615	11,835
Later than five years	95,610	99,104
	109,986	**115,131**

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2014/15 £2,160,045 of contingent rents were receivable by the Council (2013/14 £2,085,334).

22 Short-Term and Long-Term Investments

(£000s)	2014/15		2013/14	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic banks and their UK subsidiaries	0	101	1,128	951
Other investments	15,484	86,217	5,000	69,118
	15,484	**86,318**	**6,128**	**70,069**

Investments in Icelandic Banks and their UK Subsidiaries

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

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

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

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

(£000s)	2014/15		2013/14	
	Heritable Bank Plc	LBI hf	Heritable Bank Plc	LBI hf
Balance sheet carrying value				
Long term investments	0	0	0	1,128
Short term investments	101	0	101	850
Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account	0	(63)	(343)	0
Cash received	0	2,040	682	260

LBI hf

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

Heritable Bank Plc

The Council has received just over 94% of its claim to date. The administrators have not given any firm indications as to the likely timing and scale of further dividends, but given the information available to it, the Council has assumed an overall recovery of 96.5%.

23 Long-Term Debtors

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

(£000s)	31 March 2015	31 March 2014
Mortgages	1	1
Grand Arcade reverse lease premium	205	211
Private sector housing improvement loans	793	769
Sale of land at Kings Hedges	30	30
Long term loan – Kelsey Kerridge Sports Centre	1	11
Mortgage Repossessions Loans	7	7
	1,037	**1,029**

24 Assets Held for Sale

(£000s)	Current		Long Term	
	2014/15	2013/14	2014/15	2013/14
Balance at 1 April	**4,492**	**841**	**0**	**3,354**
Assets newly classified as held for sale:				
Property, plant & equipment	5,207	1,635	0	0
Transfers between current and long term assets held for sale	0	3,354	0	(3,354)
Assets sold	(3,469)	(1,355)	0	0
Clay Farm change in estimate of value – Revaluation Reserve	3,217	0	0	0
Clay Farm change in estimate of value – Reverse previous impairment loss	151	0	0	0
Enhancement expenditure	114	152	0	0
Impairment losses	(5)	(135)	0	0
Balance at 31 March	**9,707**	**4,492**	**0**	**0**

The 2014/15 impairment loss relates to a vehicle.

25 Debtors

(£000s)	31 March 2015	31 March 2014
Central government bodies	718	10,638
Other local authorities	832	490
NHS bodies	32	10
Public corporations and trading funds	0	10
Council Tax payers (City share)	500	640
National Non Domestic Rate Payers (City Share)	270	381
Council Tax payers (Precepting Bodies Share)	1,658	2,156
Housing tenants and leaseholders	477	578
Trade and other	6,628	2,292
	11,115	**17,195**

26 Cash and Cash Equivalents

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

(£000s)	31 March 2015	31 March 2014
Cash held by the Council	4	5
Bank current accounts	864	458
Bank deposit accounts	6,400	6,110
	7,268	**6,573**

27 Short-Term Creditors

(£000s)	31 March 2015	31 March 2014
Central government bodies	(2,843)	(1,931)
Other local authorities	(2,043)	(783)
Public corporations and trading funds	0	(3)
Other entities and individuals	(12,202)	(8,965)
	(17,088)	**(11,682)**

28 Receipts in Advance

(£000s)	31 March 2015	31 March 2014
Cambridge City Council share of Council Tax receipts in advance	(385)	(357)
Cambridge City Council share of non-domestic rates receipts in advance	(644)	(597)
Capital grants receipts in advance	(75)	(452)
Housing Tenants and Leaseholders	(1,128)	(1,300)
Other	(2,055)	(3,608)
	(4,287)	**(6,314)**

29 Provisions

Insurance Provision

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

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

Business Rates Appeals Provision

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

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2015 following successful rating valuation appeals. This estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. The timing of the settlement of these appeals is uncertain as they are outside of the Council's control.

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
Balance at 1 April 2014	**(275)**	**(3,239)**	**(29)**	**(3,543)**
Additional provisions made in 2014/15	(193)	(2,111)	0	(2,304)
Amounts used in 2014/15	54	1,214	20	1,288
Unused amounts reversed in 2014/15	115	1,616	0	1,731
Balance as at 31 March 2015	**(299)**	**(2,520)**	**(9)**	**(2,828)**

30 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

(£000s)	2014/15	2013/14
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(4,311)	(5,639)
New Homes Bonus	(3,389)	(2,117)
New Burdens and Transitional Grants	(112)	(119)
Individual Electoral Registration Grants	(128)	0
Homelessness Grants	(103)	0
Site Delivery Planning Grant	(50)	0
Small Business Rate Relief Grant	(283)	(254)
Other Business Rate Relief Grants	(407)	0
Donated Assets	0	(1,722)
Green Deal Capital Grant	0	(7,758)
Other Capital grants and contributions	(4,216)	(1,898)
	(12,999)	**(19,507)**
Credited to Services		
Discretionary Housing Payments	(183)	(182)
Rent Allowance and Rent Rebates Admin Subsidy	(526)	(622)
Rent Allowance Subsidy	(18,775)	(18,051)
Rent Rebates Subsidy	(19,062)	(18,959)
Non HRA Rent Rebates Subsidy	(295)	(158)
Other Housing Benefit Grants	(156)	0
Other capital grants and contributions	(400)	0
	(39,397)	**(37,972)**

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

(£000s)	31 March 2015	31 March 2014
Capital Grants Receipts in Advance		
Due within 12 months	(75)	(452)
Due in more than 12 months	(8,087)	(5,321)
Total	**(8,162)**	**(5,773)**

31 Usable Reserves

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

32 Unusable Reserves

(£000s)	31 March 2015	31 March 2014
Deferred Capital Receipts	(3,226)	(45)
Revaluation Reserve	(104,993)	(72,434)
Capital Adjustment Account	(499,567)	(480,287)
Financial Instruments Adjustment Account	90	122
Pensions Reserve	124,811	95,201
Collection Fund Adjustment Account	3,512	3,395
Available for Sale Reserve	566	0
Accumulated Absences Account	483	498
Total Unusable Reserves	**(478,324)**	**(453,550)**

Deferred Capital Receipts Reserve

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

(£000s)	2014/15	2013/14
Balance at 1 April	**(45)**	**(60)**
Deferred sale proceeds on disposal of non-current assets	(3,193)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	12	15
Balance at 31 March	**(3,226)**	**(45)**

Revaluation Reserve

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

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

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

(£000s)	2014/15	2013/14
Balance at 1 April	**(72,434)**	**(48,019)**
Net (gains) / losses on revaluations during the year	(34,239)	(25,490)
Amounts written off to the Capital Adjustment Account		
Amounts to be transferred to capital adjustment account following reconciliation of new asset database	0	24
Difference between fair value depreciation and historical cost depreciation	1,474	955
Accumulated gains on assets sold or scrapped	206	96
Balance at 31 March	**(104,993)**	**(72,434)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

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

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

(£000s)	2014/15	2013/14
Balance at 1 April	**(480,287)**	**(470,742)**
Charges for depreciation and impairment of non-current assets	17,239	15,277
Revaluation (gains)/losses on property, plant and equipment	(14,897)	(5,017)
Impairment losses on assets held for sale	(146)	135
Amortisation of intangible assets	130	114
Revenue expenditure funded from capital under statute and de minimis capital spend	2,123	2,190
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,780	7,261
Amounts to be transferred from revaluation reserve following reconciliation of new asset database	0	(24)
Depreciation in excess of historic cost transfer from revaluation reserve	(1,474)	(955)
Use of the Capital Receipts Reserve to finance new capital expenditure	(7,178)	(3,414)
Use of the Major Repairs Reserve to finance new capital expenditure	(10,629)	(7,870)
Application of grants and contributions to capital financing	(4,237)	(4,475)
Repayment of private sector housing loans	45	54
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(7,564)	(8,975)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,472)	(3,846)
Balance at 31 March	**(499,567)**	**(480,287)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pensions funds or eventually pays any pensions for which is it directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further details on pension transactions are shown in note 36.

(£000s)	2014/15	2013/14
Balance at 1 April	**95,201**	**92,967**
Remeasurements of the net defined benefit liability/(asset)	24,477	(3,003)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	10,228	10,185
Employer's pension contributions and direct payments to pensioners payable in the year	(5,095)	(4,948)
Balance at 31 March	**124,811**	**95,201**

Collection Fund Adjustment Account

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

(£000s)	2014/15	2013/14
Balance at 1 April	**3,395**	**157**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	105	(167)
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different to the non-domestic rates income calculated for the year in accordance with statutory requirements	12	3,405
Balance at 31 March	**3,512**	**3,395**

33 Contingent Liabilities

Contingent Liabilities

Legal Cases

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

Rating List Proposal

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

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

The rateable value of the network in the Council's area is around £700,000 and it has been estimated that if the proposal were accepted the backdated loss of business rates income to the 31 March 2015 to the Collection Fund would be in the order of £1.5 million. The Council's share of this loss would be around £600,000.

Given the information available to it, the Council does not currently assess that it is probable that the VOA will accept the proposal and has therefore not provided for the impact in the 2014/15 accounts.

34 Financial Instruments

Categories of Financial Instrument

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

(£000s)	Long Term		Current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
Investments				
Loans and receivables	6,000	6,128	86,317	70,069
Available-for-sale financial assets	9,434	0	0	0
Unquoted equity investment at cost	50	0	0	0
Debtors				
Loans and receivables	1,037	1,029	9,514	11,668
Creditors & Receipts in Advance				
Financial liabilities at amortised cost	(8,087)	(5,321)	(18,127)	(14,981)
Borrowing				
Financial liabilities at amortised cost	(213,572)	(213,654)	(82)	0
	(205,138)	**(211,818)**	**77,622**	**66,756**

Private Sector Housing Improvement Loans

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

(£000s)	2014/15	2013/14
Balance sheet (fair) value as at 1 April	**769**	**832**
Nominal value of new loans recognised in the year	35	33
Interest – increase in discounted amount	27	17
Loans repaid	(45)	(54)
Fair value adjustments	7	(59)
Balance sheet (fair) value as at 31 March	**793**	**769**
Loan payments outstanding (nominal value) at 31 March	**881**	**892**

Income, Expense, Gains and Losses

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

(£000s)	2014/15			2013/14		
	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables	Financial Assets – Available for Sale	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables	Financial Assets – Available for Sale
Interest expense	7,496	0	0	7,496	0	0
Reductions in fair value	0	0	0	0	59	0
Reversal of losses on impaired financial assets	0	(63)	0	0	(343)	0
Impairment losses	0	187	0	0	173	0
Total expense in Surplus or Deficit on the Provision of Services	**7,496**	**124**	**0**	**7,496**	**(111)**	**0**
Increases in fair value	0	(7)	0	0	0	0
Interest Income	0	(714)	(75)	0	(558)	0
Interest income accrued on impaired financial assets	0	0	0	0	(152)	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**(721)**	**(75)**	**0**	**(710)**	**0**
Losses on revaluation	0	0	566	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**566**	**0**	**0**	**0**

Fair Value of Assets and Liabilities

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

- An estimated interest rate at 31 March 2015 of 2.15% (3.00% at 31 March 2014) has been used to calculate the fair value of private sector housing improvement loans
- Estimated ranges of interest rates at 31 March 2015 of 2.16% to 2.21% (3.37% to 3.41% at 31 March 2014) for loans from the PWLB based on premature repayment rates at that date
- No early repayment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- The fair value of capital contributions received in advance is taken to be the amount received

The fair values are calculated as follows:

(£000s)	31 March 2015		31 March 2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial Liabilities at amortised cost				
Current liabilities	(18,127)	(18,127)	(14,981)	(14,981)
Long term liabilities	(8,087)	(8,087)	(5,321)	(5,321)
Short term borrowing	(82)	(82)	0	0
Long term borrowing	(213,572)	(278,397)	(213,654)	(218,515)
Loans and receivables:				
Long term debtors	1,037	1,037	1,029	1,029
Current debtors	9,514	9,514	11,668	11,668
Long term investments	6,000	5,973	6,128	6,127
Current investments	86,317	86,317	70,069	70,069

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a fixed rate loan where the interest rate receivable is lower than prevailing rates at the balance sheet date.

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

Available for sale assets are carried in the balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The exception to this treatment is the Council's shareholding in the Local Government Finance Company. The shares in this company are carried at cost of £50,000 and have not been valued as a fair value cannot be measured reliably. The company is only recently established and has no trading history. There is no organisation which might provide comparable market data. The Council has no current intention to dispose of the shareholding.

35 Nature and extent of risks arising from financial instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

How the Council manages those risks

The Council maintains principles for overall risk management, as well as approved policies covering specific areas, such as Treasury Management. The principles behind how the Council intends to manage overall credit, liquidity and market risk in its investments are contained within the Annual Treasury Management and Investment Strategy report, submitted to full Council before the start of each financial year. This strategy can be amended, but only by full Council. During 2014/15 the Council made amendments to its investment strategy. The increase in limits and diversification in using other financial instruments was necessary to offset the effects of further decreases in market interest rates without unduly increasing risk.

Credit risk

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

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

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

Counterparty	Limit	Change in 2014/15
Government Debt Management Account Deposit Facility (DMADF), UK Government Gilts and Treasury Bills	Unlimited	Unchanged
HSBC Bank Plc	£25m	Increase of £5m
Single named Institution (Nationalised Banks, Local Authorities, Nationwide Building Society & UK Domiciled Banks excluding Santander)	£20m	Increase of £5m
UK Banks Group Limit	£30m	Increase of £7.5m
Certificates of Deposit with UK Banks (Included within single counterparties limit)	£15m	Increase of £5m
AAA Money Market Funds	£15m total per fund	Increase of £5m
UK subsidiary of foreign bank (Santander UK)	£5m	New
Named Foreign Banks (Svenksa Handlesbanken and Deutsche Bank)	£5m	New
Certificates of Deposit with the Named Foreign Banks (included within single counterparties limit)	£2m	New
Building Society (dependent on asset base and investment type)	£2m to £20m	New
CCLA Local Authorities' Property Fund	£10m	New

In addition Council approved an investment of £50,000 in the Local Government Capital Finance Company.

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

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

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

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to its investments at 31 March 2015 and that any residual risk cannot be quantified.

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

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

(£000s)	Maturity Band				Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	
31 March 2014					
United Kingdom					
Banks	3,000	28,000	16,500	0	47,500
Building Societies	15,000	0	0	0	15,000
Local Authorities	4,500	2,000	0	5,000	11,500
Total	**22,500**	**30,000**	**16,500**	**5,000**	**74,000**

In addition to these the Council has investments in long term available for sale assets as detailed in note 34, which do not have a defined maturity date.

These tables exclude the investments in Heritable Bank and LBI as detailed in Note 22.

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

(£000s)	31 March 2015		31 March 2014	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	1,037	0	1,029	0
Current and former tenants	1,479	1,203	1,711	1,259
Other debtors	8,035	352	3,714	357
	10,551	**1,555**	**6,454**	**1,616**

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

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

(£000s)	31 March 2015	31 March 2014
Balance at 1 April	**1,616**	**1,511**
Increase in allowance for impairment	172	165
Balances written off during the year	(233)	(60)
Balance at 31 March	**1,555**	**1,616**

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2015, of the total debtor and deferred debtor balances of £10.6 million (£6.5 million at 31 March 2014), the past due amount was £2.0 million (£2.1 million at 31 March 2014) and can be analysed by age as follows:

(£000s)	31 March 2015	31 March 2014
Customer Debts		
Less than three months	563	385
Three to six months	139	115
Six months to one year	186	210
More than one year	1,154	1,361
Balance at 31 March	**2,042**	**2,071**

Liquidity risk

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

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

The maturity analysis of the loans is as follows:

(£000s)	31 March 2015	31 March 2014
Between 20 and 25 years	32,036	10,683
Between 25 and 30 years	53,393	53,413
Between 30 and 35 years	53,393	53,413
Between 35 and 40 years	53,393	53,414
Between 40 and 45 years	21,357	42,731
	213,572	**213,654**

Accrued interest due on the PWLB loans to 31 March 2015 was £82,000 (£82,000 in 2013/14). This was shown in long term liabilities in 2013/14. In the 2014/15 accounts this is shown in current liabilities.

Market risk

Interest rate risk

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

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. During 2014/15, if interest rates on the bank deposit accounts had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £380,000 (£341,000 in 2013/14).

Price risk

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

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

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

The Council is exposed to potential losses arising from future movements in the value of the Local Government Finance Company shares, but given the size of the current shareholding these are not material.

A loss of £566,000 in respect of the Local Authorities' Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2014/15. This reflects general movements in the value of the shares, and the spread between the 'offer' price at which the shares were purchased and the 'bid' price that any purchaser would pay for them. A further movement in the bid price of 5%

(positive or negative) would have resulted in a £472,000 gain or loss being recognised in Other Comprehensive Income and Expenditure in 2014/15.

The statutory accounting arrangements around these investments mean that any gains or losses arising from price movements recognised in the Comprehensive Income and Expenditure Statement are not borne by the General Fund for taxation purposes until the investments are sold. The Council intends to hold these investments over the long term.

Foreign exchange risk

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

36 Defined Benefit Pension Schemes

Participation in pension schemes

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

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

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme in 2014/15 was the responsibility of the Pension Fund Board of Cambridgeshire County Council. Policy is determined in accordance with the pension fund regulations.

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

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the employer contributions payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

(£000s)	Local Government Pension Scheme	
	2014/15	**2013/14**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	6,098	5,872
Past service costs (including curtailments)	19	112
Financing and Investment Income and Expenditure:		
Net interest cost	4,111	4,201
Total post employment benefit charged to the surplus or deficit on the provision of services	**10,228**	**10,185**
Other post employment benefit charged to the comprehensive income and expenditure statement		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(11,993)	(3,806)
Changes in demographic assumptions	0	(4,486)
Changes in financial assumptions	41,357	11,047
Other experience changes	(4,887)	(5,758)
Total post employment benefit charged to the comprehensive income and expenditure statement	**34,705**	**7,182**
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	(29,610)	(2,234)
Employers' contributions payable to the scheme	**5,095**	**4,948**

Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2014/15	2013/14
Present value of the defined benefit obligation	(302,046)	(253,978)
Fair value of plan assets	177,235	158,777
Net liability arising from defined benefit obligation	**(124,811)**	**(95,201)**

The net liability shows the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £124.8 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

Assets and liabilities in relation to post employment benefits

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

(£000s)	2014/15	2013/14
Opening balance at 1 April	**(253,978)**	**(241,392)**
Current Service Cost	(6,098)	(5,872)
Past service cost	(19)	(112)
Interest Cost	(10,926)	(10,873)
Contributions by scheme participants	(1,609)	(1,559)
Benefits paid	6,947	6,303
Estimated unfunded benefits paid	107	330
Remeasurements – changes in financial assumptions	(41,357)	(11,047)
Remeasurements – other experience	4,887	5,758
Remeasurements – changes in demographic assumptions	0	4,486
Closing balance at 31 March	**(302,046)**	**(253,978)**

Changes in financial assumptions reflect the change in the discount rate used by the actuary to estimate the Council's liability as detailed in Note 41.

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

(£000s)	2014/15	2013/14
Opening balance at 1 April	**158,777**	**148,425**
Interest income on plan assets	6,815	6,672
Contributions by scheme participants	1,609	1,559
Employer Contributions	4,988	4,618
Contributions in respect of unfunded benefits	107	330
Benefits paid	(6,947)	(6,303)
Unfunded benefits paid	(107)	(330)
Remeasurements – return on assets excluding amount in net interest expense	11,993	3,806
Closing balance at 31 March	**177,235**	**158,777**

Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets	
	2014/15	2013/14
Cash and cash equivalents	5,311	2,117
Equity instruments:		
Consumer	17,554	13,864
Manufacturing	10,866	13,103
Energy & utilities	4,993	5,627
Financial Institutions	14,495	16,018
Health and care	8,629	4,681
Information technology	8,013	9,495
Other	0	441
Private Equity	12,566	9,445
Investment Funds and Unit Trusts:		
Equities	54,599	51,053
Bonds	27,023	24,202
Other	13,186	8,731
Closing balance at 31 March	**177,235**	**158,777**

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2014/15	2013/14
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	22.5	22.5
Women	24.5	24.5
Longevity at 65 for future pensioners		
Men	24.4	24.4
Women	26.9	26.9
Rate of increase in salaries	4.3%	4.6%
Rate of increase in pensions	2.4%	2.8%
Rate for discounting scheme liabilities	3.2%	4.3%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.0%	25.0%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.0%	63.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity 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 whilst all other factors remain constant. The assumptions in longevity for example assume that life expectancy increases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumption at 31 March 2015	Approximate % increase to Employer Liability	Approximate Monetary amount (£000s)
0.5% decrease in the real discount rate	11%	32,571
1 year increase in member life expectancy	3%	9,061
0.5% increase in the salary increase rate	4%	11,118
0.5% increase in the pensions increase rate	7%	20,716

Impact on the Council's Cash Flows

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

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

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

The Council expects to pay contributions of £5,528,000 in 2015/16.

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

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

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

37 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2014/15	2013/14
Housing rents	19,422	18,284
Revenue Support Grant	4,311	5,639
Council Share on non-domestic rates income collected	37,133	37,406
Non domestic rates – tariff payment to central government	(32,915)	(32,286)
New Homes Bonus Grant	3,389	2,117
Non domestic rates – safety net payment received from central government	1,571	0
Non domestic rates – Section 31 grants received from central government	675	0
Green Deal Grant	7,857	0
Housing Benefit subsidies	39,867	36,779
Council share of Council Tax receipts	6,769	6,558
Cash paid to and on behalf of employees	(26,861)	(26,424)
Employer national insurance and pension contributions paid	(6,240)	(6,295)
Payments to the capital receipts pool	(1,120)	(1,009)
Housing Benefit paid	(19,298)	(18,539)
Interest received	583	521
Interest paid	(7,496)	(7,496)
Other cashflows	8,153	6,648
	35,800	**21,903**

38 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2014/15	2013/14
Purchase of property, plant and equipment, investment property and intangible assets	(21,726)	(19,676)
Purchase of short-term and long-term investments	(118,475)	(222,780)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,102	7,461
Proceeds from short-term and long-term investments	92,465	207,922
Other receipts from investing activities	5,375	2,190
	(35,259)	**(24,883)**

39 Cashflow Statement – Financing Activities

(£000s)	2014/15	2013/14
Other receipts from financing activities	154	1,819
Net cash flows from financing activities	**154**	**1,819**

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

40 Impact of the adoption of new accounting standards on the financial statements – effective for the 2015/16 financial year

The 2015/16 Local Authority Accounting Code of Practice (The 2015/16 Code) includes a number of changes resulting from revisions to accounting standards. These are:

- IFRS13 Fair Value Measurement
- Annual Improvements to IFRSs 2011-13
- IFRIC12 Levies

Annual improvements to IFRSs 2011-13 and IFRIC 12 are not expected to have a material impact on the financial statements.

IFRS 13 will impact on the valuation basis used for surplus items of Property, Plant and Equipment. However, this standard is being applied prospectively from 1 April 2015 so there will be no impact on the values as stated at 31 March 2015.

41 Changes in accounting estimates

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

Change in discount rate for assessing pension liabilities

In assessing liabilities for retirement benefits at 31 March 2014 for the 2013/14 Statement of Accounts the actuary assumed a discount rate of 4.3%. For the 2014/15 Statement of Accounts the actuary has advised that a rate of 3.2% is appropriate. Application of this rate (and related RPI/CPI inflation and salary increase assumptions) has resulted in an increase in liabilities of £41.4 million, as reflected in the remeasurement losses recognised for the year in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Land at Clay Farm

The Council owns an area of 6.75 acres at Clay Farm on the southern fringe of the city. The element of this land that will be retained by the Council for the development of social housing is held within the asset category of property, plant and equipment. The remainder, which is to be disposed of for market housing, is held in assets held for sale. Prior to the 2014/15 Statement of Accounts, the Council determined the proportion of the value of the whole site to be included in assets held for sale and property, plant and equipment based on the estimated land areas for each use of 50%.

As plans for the site have developed, detailed areas now indicate that of the total site area 56% of the site will be sold to the developer for market housing, 37% will be retained for social housing and

7% for open space. In addition, detailed discussions have indicated that the value for land for social housing on this site is negligible. The open space also has negligible market value as protected amenity space. The estimate of the apportionment of the value of the site has therefore been revised in the 2014/15 accounts so that 100% of the site value is apportioned to the asset held for sale.

The value of the land held in property, plant and equipment as at 1 April 2014 has therefore been reduced by £3,369,000 to nil, with a corresponding increase in the value of the asset held for sale. As historic costs continue to be apportioned on the basis of relative areas, there has been a corresponding increase in the balance on the revaluation reserve of £1,110,000 and a net charge to the Comprehensive Income and Expenditure Statement of the same amount.

42 Date the Statement of Accounts were authorised for issue

The unaudited accounts were authorised for issue by the Council's Section 151 officer on yy June 2015. This is the date up to which events after the balance sheet date have been considered.

Additional Financial Statements and Information

Housing Revenue Account Income and Expenditure Account

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

(£000s)	Note	2014/15	2013/14
Income			
Dwelling rents	2	(35,983)	(34,175)
Non-dwelling rents		(673)	(689)
Charges for services and facilities		(2,896)	(2,801)
Contributions towards expenditure		(460)	(478)
Reimbursement of costs		(33)	(19)
Total		**(40,045)**	**(38,162)**
Expenditure			
Repairs & Maintenance		7,051	6,060
Supervision & Management		6,810	6,536
Rents, rates, taxes & other charges		259	370
Depreciation, impairment & reversal of revaluation losses on non-current assets		(4,113)	4,290
Increased provision for bad debts		145	125
Total		**10,152**	**17,381**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(29,893)**	**(20,781)**
HRA services share of Corporate and Democratic Core		294	295
HRA Services share of Non-Distributed Costs		111	0
Net Cost of HRA Services		**(29,488)**	**(20,486)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Surplus) or deficit on sale of HRA non-current assets		(5,862)	(1,521)
Other income		(180)	0
Impairment (gains)/losses on assets held for sale		0	(17)
Interest payable on PWLB loans		7,494	7,494
Interest and Investment Income		(915)	(1,246)
Capital Grants and Contributions Receivable		(1,230)	(549)
(Surplus) / Deficit for the year on HRA services		**(30,181)**	**(16,325)**

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2014/15	2013/14
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		**(30,181)**	**(16,325)**
Adjustments between accounting basis and funding basis under statute			
Gain on sale of non-current assets		5,862	1,521
Other capital receipts		180	0
Impairment gain/(loss) on assets held for sale		0	17
Net revaluation gains/(losses) on property, plant and equipment		16,770	6,734
Revenue expenditure funded from capital under statute and de-minimus capital expenditure		(597)	(404)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		1,230	549
Movement in investment property value		142	756
Movement in short term accumulating absences		0	(1)
Net charges made for retirement benefits made in accordance with IAS19	10	(1,262)	(1,018)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund	10	1,045	858
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		8	6
Capital Expenditure funded by the Housing Revenue Account	7	5,115	6,406
Transfer from the Major Repairs Reserve	9	(4,147)	(2,941)
Net (increase) / decrease before transfers to or from reserves		**(5,835)**	**(3,842)**
Transfers to reserves		(150)	457
Total movement on Housing Revenue Account for the year		**(5,985)**	**(3,385)**
Housing Revenue Account balance brought forward		**(8,880)**	**(5,495)**
Housing Revenue Account balance carried forward		**(14,865)**	**(8,880)**

Notes to the Housing Revenue Account

1 Introduction

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

2 Gross Rent

This represents income receivable in respect of all dwellings within the HRA, gross of rent rebates and net of rents not payable when properties are empty. As at 31 March 2015, 0.8% of properties were vacant (2.5% at 31 March 2014).

The average rent payable in 2014/15 was £106.92 per week based on 48 payable rent weeks (£98.70 per week on a 52 week basis). The average rent payable in 2013/14 was £100.46 per week based on 49 payable rent weeks (£92.88 per week on a 53 week basis).

3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2015	1 April 2014	2014/15	2013/14
Dwellings	538,100	497,772	11,781	10,382
Other Land and Buildings	7,230	7,749	131	124
Infrastructure	1,732	1,276	33	27
Vehicles, Plant and Equipment	216	187	18	0
Investment Properties	5,208	5,193	0	0
Assets held for sale - current	0	1,368	0	0
Surplus Assets	196	5,109	113	86
Assets in the course of construction	11,925	3,761	0	0
	564,607	**522,415**	**12,076**	**10,619**

The value of council dwellings at 1 April 2014, based on vacant possession, was £1,276 million (1 April 2013: £1,247 million). Vacant possession value is the estimate of the total sum that would be received if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

Net revaluation loss reversals on Property, Plant and Equipment of £16.7 million have been credited to the Comprehensive Income and Expenditure Statement in 2014/15 (net revaluation loss reversals credited of £6.7 million in 2013/14). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

4 Loan Interest Charges

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

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7,494,000 being charged to the HRA in 2014/15 (£7,494,000 in 2013/14).

5 Housing Stock

The Council was responsible for an average stock of 7,172 dwellings during the year. The stock as at 31 March 2015 was as follows:-

	31 March 2015	31 March 2014
Houses & bungalows	3,607	3,621
Flats	2,900	2,917
Sheltered housing units	509	507
Shared ownership properties	36	39
Total	**7,052**	**7,084**
The change in stock during the year can be summarised as follows:		
Stock at 1 April	**7,203**	**7,274**
Right to buy sales	(51)	(60)
Open market disposals	0	(1)
Net shared ownership changes	(3)	(0)
New properties	18	33
Other changes	(6)	1
Demolitions	(109)	(44)
Stock as at 31 March	**7,052**	**7,203**
Vacant awaiting re-development/disposal	0	(119)
Lettable Stock at 31 March	**7,052**	**7,084**

Those properties which are vacant awaiting demolition or significant redevelopment are no longer treated as lettable HRA dwellings and are therefore included in Property, Plant and Equipment as Other Land and Buildings, or as Assets Held for Sale as appropriate.

6 Rent Arrears

Rent arrears at 31 March 2015 were £1,401,226 (£1,587,742 at 31 March 2014) and as a proportion of gross rent income have decreased from 4.29% in 2013/14 to 3.66% in 2014/15.

At 31 March 2015 a provision for bad debt of £1,203,043 was held in the balance sheet (£1,259,257 at 31 March 2014).

7 Financing of Capital Expenditure

(£000s)	2014/15	2013/14
Capital Expenditure		
Dwellings	13,248	12,471
Land and Buildings	189	0
Vehicles, Plant and Equipment	47	119
Infrastructure Assets	490	296
Assets under Construction	9,188	3,372
Investment Properties	24	13
De minimis capital expenditure	597	404
	23,783	**16,675**
Financed by:		
Capital receipts	6,799	1,850
Major repairs reserve	10,629	7,870
Revenue financing of capital	5,115	6,406
Capital contributions and grants	1,240	549
	23,783	**16,675**

8 Capital receipts within the HRA

(£000s)	2014/15	2013/14
Dwellings	6,952	7,150
Land	5,948	1,500
Total receipts	**12,900**	**8,650**
Payable to central government	(1,279)	(1,044)
Useable capital receipts	**11,621**	**7,606**

9 Major Repairs Reserve (MRR)

(£000s)	2014/15	2013/14
Balance at 1 April	**(4,919)**	**(5,111)**
Transfer to MRR during the year	(12,076)	(10,619)
Amount transferred from MRR to HRA	4,147	2,941
HRA capital expenditure on housing charged to MRR	10,629	7,870
Balance at 31 March	**(2,219)**	**(4,919)**

10 Contributions from the Pensions Reserve

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

Collection Fund

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

(£000s)	Note	2014/15		2013/14	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council Tax	2	(60,241)	0	(57,416)	0
Non domestic rates income		0	(93,386)	0	(93,851)
Contributions towards previous year's estimated Collection Fund deficit					
Central Government		0	(1,614)	0	0
Cambridge City Council		0	(1,292)	(140)	0
Cambridgeshire County Council		0	(291)	(895)	0
Cambridgeshire Police & Crime Commissioner		0	0	(145)	0
Cambridgeshire Fire Authority		0	(32)	(50)	0
Total Income		**(60,241)**	**(96,615)**	**(58,646)**	**(93,851)**
Council Tax Expenditure					
Cambridge City Council	4	6,706	0	6,394	0
Cambridgeshire County Council	4	43,419	0	41,397	0
Cambridgeshire Police & Crime Commissioner	4	7,018	0	6,696	0
Cambridgeshire Fire Authority	4	2,486	0	2,418	0
Impairment of Council Tax debts	5	1,548	0	268	0
Non-domestic rates Expenditure					
Cambridge City Council		0	38,727	0	37,309
Cambridgeshire County Council		0	8,713	0	8,394
Cambridgeshire Fire Authority		0	968	0	933
Non-domestic rates due to central government		0	48,408	0	46,636
Transitional protection payments		0	1,074	0	454
Impairment of non-domestic rates debts	6	0	322	0	315
Provision for non-domestic rates appeals	6	0	(1,796)	0	8,095
Allowable costs of non-domestic Rates Collection		0	228	0	227
Total Expenditure		**61,177**	**96,644**	**57,173**	**102,363**
(Surplus)/Deficit for the year		**936**	**29**	**(1,473)**	**8,512**
(Surplus)/Deficit as at 1 April		**(92)**	**8,512**	**1,381**	**0**
(Surplus)/Deficit as at 31 March	**6**	**844**	**8,541**	**(92)**	**8,512**

Notes to the Collection Fund

1 General

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

2 Council Tax

Under the arrangements for Council Tax, each domestic property within the Council's area is assigned to one of eight 'valuation bands' (A to H) based on the estimated price it would have achieved if it had been sold at 1 April 1991. The Council Tax is set for band D properties and the tax for other bands is calculated as a proportion of the band D tax. The band D Council Tax for the year ended 31 March 2015 was set at £1,540.84, made up as follows:

(£000s)	2014/15	2013/14
Cambridge City Council	173.29	169.90
Cambridgeshire County Council	1,121.94	1,100.07
Cambridgeshire Police & Crime Commissioner	181.35	177.93
Cambridgeshire Fire Authority	64.26	64.26
Total	**1,540.84**	**1,512.16**

The following table shows the calculation of the Council Tax Base for 2014/15 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2014/15

Valuation Band	Total number of dwellings on the Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc)	Ratio to Band D	Band D Equivalents
A	2,986	1,590	6/9	1,060
B	9,613	5,775	7/9	4,492
C	17,932	13,427	8/9	11,935
D	8,937	7,186	9/9	7,186
E	5,109	4,193	11/9	5,124
F	3,225	2,705	13/9	3,907
G	2,857	2,314	15/9	3,857
H	453	263	18/9	527
Total	**51,112**	**37,453**		**38,088**
Tax Base adjustments				**587**
Tax base for Council Tax Setting				**38,675**

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

The income of £60.2 million in 2014/15 was receivable from the following sources:

(£000s)	2014/15	2013/14
Billed to Council Tax payers	60,231	57,421
Council Tax benefits	(17)	(32)
Ministry of Defence Contributions in Lieu	27	27
Total	**60,241**	**57,416**

3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2015 was £256,210,175 (£257,745,401 at 31 March 2014) and the Uniform Business Rate in 2014/15 was set by the government at 48.2p (2013/14, 47.1p).

4 Council Tax Expenditure

(£000s)	2014/15			2013/14		
	Precepts and Demands	Distribution of previous years' surplus	Total	Precepts and Demands	Distribution of previous years' surplus	Total
Cambridge City Council	6,702	4	6,706	6,394	0	6,394
Cambridgeshire County Council	43,391	28	43,419	41,397	0	41,397
Cambridgeshire Police and Crime Commissioner	7,013	5	7,018	6,696	0	6,696
Cambridgeshire Fire Authority	2,485	1	2,486	2,418	0	2,418

5 Provision for Non-Payment - Council Tax

A contribution of £1,548,257 (£267,768 in 2013/14) was made to a provision for bad debts. During 2014/15, £3,873 of debts were written off (in 2013/14 £2,057 of previously irrecoverable debts written off were written back).

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

A contribution of £219,526 (a contribution of £57,899 in 2013/14) was made to a provision for bad debts. Irrecoverable debts of £101,980 (£256,945 in 2013/14) were written off.

A provision for appeals relating to rateable value reductions in respect of 2014/15 and prior years has been established following the introduction of the new business rates retention scheme for local government. At 31 March 2015 this provision is £6,299,371 (£8,094,925 at 31 March 2014).

7 Collection Fund Surpluses and Deficits

The deficit of £844,442 at 31 March 2015 (£92,275 surplus at 31 March 2014), which related to Council Tax, will be redistributed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

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

(£000s)	31 March 2015	31 March 2014
Council Tax:		
Cambridge City Council	95	(10)
Cambridgeshire County Council	615	(68)
Cambridgeshire Police & Crime Commissioner	99	(11)
Cambridgeshire Fire Authority	35	(3)
	844	**(92)**

The deficit of £8,541,604 at 31 March 2015 (£8,512,491 at 31 March 2014) in respect of non-domestic rates will be recovered in subsequent financial years from Cambridgeshire County Council, Cambridgeshire Fire Authority, Central Government and the Council in proportion to their shares of business rates income.

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

(£000s)	31 March 2015	31 March 2014
Non-Domestic Rates:		
Cambridge City Council	3,417	3,405
Cambridgeshire County Council	769	766
Cambridgeshire Fire Authority	85	85
Central Government	4,271	4,256
	8,542	**8,512**

Statement of Accounting Policies and Glossary of Financial Terms and Abbreviations

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

2 Accruals of Income and Expenditure

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

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

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

3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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

4 Changes in Accounting Policies and Estimates and Errors

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

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

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

5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

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

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

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

6 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

- The liabilities of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on the yields of the constituents of the iBoxx £ Corporates AA index, gilts yields, and the Council's weighted average duration).
- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The change in the net pensions liability is analysed into the following components:

  Service Cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Net Interest on the net defined benefit liability – ie the net interest expense for the Council. This is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

  Remeasurements comprising:
  - The return on plan assets excluding amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

  Contributions paid to the Cambridge City Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows than as benefits are earned by employees.

7 Events after the Reporting Period

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

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

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

8 Exceptional Items

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

9 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

10 Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

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

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

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

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

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

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

11 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

12 Intangible Assets

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

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

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

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

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

13 Inventories

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

14 Investment Properties

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

Investment properties are measured initially at a cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated, but assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee and the fair value of the property, plant or equipment at lease inception is above the Council's de-minimis levels of £2,000 for vehicles and £15,000 for other items. All other leases are classified as operating leases.

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

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

<u>The Council as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

<u>The Council as Lessor</u>

Finance Leases

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

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

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

Operating Leases

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

16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

17 Property, Plant and Equipment

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

Recognition

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

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

The Council is paying 7% of the infrastructure costs of Clay Farm, which is being developed for housing, net of the contributions made towards these costs by affordable housing providers. The Council is paying the infrastructure costs gross and receiving a credit in relation to the contribution made by affordable housing providers separately. The Council accounts for 93% of the gross costs as an enhancement to its land, recognising a net debtor or receipt in advance at the end of each financial year dependant on the credits received in respect of affordable housing providers. The Council does not consider the accounting for these costs net of affordable housing contributions leads to any material misstatement.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

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

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

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

Impairment

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

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

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

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

Disposals

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

18 Heritage Assets

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

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

Civic Regalia

The collection of civic regalia includes ceremonial maces, chains of office and other civic items. These items are reported in the balance sheet at insurance valuation which is based on market values. These valuations are reviewed regularly to ensure that they are current. These items are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where there is physical deterioration, breakage or doubts as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment of non-current assets.

The Council does not normally make any purchases or disposals of these items. Further information on the most significant items in the collection can be found on the Council's website.

19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

20 Reserves

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

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

21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22 Value Added Tax (VAT)

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

23 Foreign Exchange Translation

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

Glossary of Financial Terms and Abbreviations

Accounting Period

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

Accruals

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

Amortisation

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

Capital Expenditure

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

Capital Receipt

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

Cash Equivalents

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

Contingent Liabilities

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Depreciation

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

Effective rate of interest

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

Equity instrument

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

Fair Value

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

Finance Lease

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

Financial Asset

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

Financial Liability

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

Financial Instrument

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

Government Grants

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

Heritage Assets

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

Impairment

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

Non-current assets

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

Operating Lease

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

Outturn

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

Precepts

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

Provisions

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

Reserves

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

Revenue Expenditure

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

Revenue Expenditure Funded From Capital Under Statute

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

Revenue Support Grant

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

The Code

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

Abbreviations used in the accounts

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

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CAMBRIDGE CITY COUNCIL

Mr Mark Hodgson
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20 March 2015

Dear Mark

Understanding Management Processes and Arrangements

I am writing in response to your letter of 4 February 2015 regarding the above.

I have considered the questions that you raised, consulted appropriate colleagues, and to the best of my knowledge set out below my responses to each of the points in turn.

(1) What are management processes in relation to:

- *Undertaking as assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)*

The Council's overall assessment of the risks that the financial statements may be materially misstated is reflected by the inclusion, in the corporate risk register, of identified risks, control measures in place and any additional actions required. The Council's risk register provides a real-time overview of all risks identified, and the register is formally reviewed at key stages in the year. This oversight helps ensure that any changes to control measures are identified and / or actions agreed and delivered to mitigate risks.

The Internal Audit Plan is designed to allow Internal Audit to offer an opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes. The plan has been broken down into a number of areas:

- Core systems assurance work. This work covers the Council's key financial systems and provides external audit with assurance on their control.
- Annual governance and assurance work;
- Corporate/cross cutting audits;
- Key contracts and projects; and
- Departmental specific audits.

The programme of audit work for 2014/15 was agreed by Civic Affairs in March 2014.

The Council's financial statements are prepared substantially from information held in its Financial Management System together with information held on other systems which feed into it.

Internal Audit's work includes review of the Council's fundamental financial systems in order to gain assurance that the systems of financial control are in place and operating effectively.

Cumulative monthly budgetary control reports are prepared and distributed electronically to cost centre managers and Directors. Overall budget variances, together with explanations of individual major variances (those over £20,000) are reported monthly to Senior Leadership Team and to Executive Councillors in a Finance report which also includes managers' estimates of the outturn position at year end.

The financial statements are reconciled to the Oracle Financial Management system and the outturn reports distributed to management to ensure the consistency and integrity of the data.

- *Identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist*

The work of Internal Audit includes identifying those systems or transactions which may be more susceptible to fraud and these areas are appropriately covered by the Internal Audit Plan.

The corporate risk register will also reflect areas where there is a greater susceptibility to fraud, and actions taken to mitigate such risks.

This is supplemented by the work undertaken as part of the National Fraud Initiative (NFI), using data matching to identify issues for investigation.

- *Communicating to employees its views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority's code of conduct)*

Employees are required to follow the Council's Employee Code of Conduct which is available on the intranet. . Employees are further governed by the Council's HR policies which are also available on the intranet.

All offers of gifts and hospitality, regardless of whether the offer was accepted or declined, must be recorded and the records are regularly reviewed. Additional guidance on this topic is available to employees in the form of a set of 'Frequently Asked Questions'.

Guidance and training is available in areas where there may be specific ethical/probity considerations such as procurement.

- *Encouraging employees to report their concerns about fraud*

There is a Whistleblowing policy which staff are made aware of and which is available on the intranet. This is supplemented by other HR policies which are all available on the intranet.

Third parties are also able to report concerns through the Council's complaints procedure which includes an Independent Complaints Investigator.

- *Communicating to the Audit Committee (i.e. those charged with governance) the processes for identifying and responding to fraud and error.*

Fraud and Irregularity investigations are normally reported annually to Civic Affairs and will next be reported in June 2015. This covers Internal Audit work as well as that of the Revenue and Benefits Services Fraud Prevention Team.

The Chief Executive, Directors, the Monitoring Officer the Leader of the Council, relevant Executive Councillor and the Council's External Auditors receive copies of the final versions of all Internal Audit reports.

(2) What are Management's views about whether there are areas within the organisation that are at risk of fraud?

Management ensures that there is appropriate internal control and segregation of duties over areas which are considered to be at a higher risk of fraud.

For example:

Treasury Management transactions require authorisation by a senior Finance officer. Monthly treasury management activity is reported to the Executive Councillor for Customer Services and Resources and Leader of the Council.

There are specific controls over the input and validation of invoices for payment and strict segregation of these duties from cheque and BACS payment authorisations, which are undertaken by authorised senior managers. There are also specific controls over the creation of new supplier records within the financial management system.

The payment of Council Tax and Housing benefits is also an area susceptible to fraud and the Council has a specific Revenue and Benefits Fraud Prevention Team.

(3) Does Management have knowledge of any actual or suspected or alleged instances of fraud?

Management is not aware at this time of any actual, suspected or alleged instances of fraud which are likely to have a material effect on the council's financial statements.

(4) Is Management satisfied that internal controls to prevent and detect fraud, including segregation of duties, exist and work effectively?

The Internal Audit Plan is designed to give assurance that internal controls are working effectively. The Head of Internal Audit will report his opinion in relation to 2014/15 to Civic Affairs in June 2015. However, based on the audit opinion progress report sent to Members of Civic Affairs in November 2014 and Internal Audit Reports finalised and issued since that date, Management is not aware of any significant concerns.

(5) Are there any deficiencies in internal control?

Internal Audit report on deficiencies in internal control as part of their audit work. The outcome of this work in respect of 2014/15 will be summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion and Annual Governance Statement (AGS) at the meeting in June 2015. The mid-year audit opinion progress report identified no critical actions arising from audit findings and at this time there is one further finalised audit report with one critical action.

(6) Are you aware of any instances where controls have been overridden?

Management is not, at this time, aware of any deliberate overriding of controls which could have a material effect on the financial statements.

(7) Is there any organisational or management pressure to meet financial or operating targets?

The Council uses a number of financial and operating targets. For example, Cost Centre Managers and Directors are expected to manage their budgets within cash limits. However, targets are flexed as appropriate and there is a revised budget process in each financial year which is designed to identify unavoidable budget pressures and agree appropriate remedial actions.

(8) Are there any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation? Are management aware of any such manipulation having occurred?

There are no particular areas of the accounts that Management considers to be susceptible to manipulation. No officers are incentivised on the basis of financial performance. Management is not aware of any such manipulation having occurred.

(9) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2014/15?

The Council's Constitution sets out how budgetary and policy decisions are made. Officers are required to ensure compliance with relevant laws and regulations and all reports include a section on legal implications which must be completed.

There are specific legal responsibilities on the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Section 151 Officer) to report on aspects of compliance with relevant laws and regulations.

Internal Audit's annual plan contains a programme of work that includes reviews of compliance with policies, procedures, laws and regulations. In addition, work is carried out by other inspection agencies.

(10) Are there any actual or potential litigation or claims that would affect the financial statements?

As part of the closedown process the Council will assess the adequacy of provisions for liabilities arising from current or potential future litigation and claims. The Council will also consider whether there are any contingent liabilities which may require disclosure.

(11) How does management satisfy itself that is appropriate to adopt the going concern basis in preparing the financial statements?

Local Authorities derive their powers from statute. The assumption that a local authority's services will continue to operate for the foreseeable future is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The abolition of an authority or the transfer of some of its services could bring the going concern assumption into question. However, the Code of Practice on Local Authority Accounting makes clear that combinations of public sector bodies are not to be taken as negating the presumption of going concern. Even if assets are to be taken from an authority, with perhaps no compensation, the continued use of the property for the public benefit means that the authority does not need to consider the restriction on its own ability to make use of the property from the going concern perspective.

In addition to these statutory considerations, the financial position of the Council also indicates that the going concern basis is appropriate:

- The Council has significant net assets (£533 million at 31 March 2014.) These net assets include a significant property portfolio.
- Cash deposits and investments exceed £110 million at the end of February 2015.
- The Council has significant usable reserves (£80 million at 31 March 2014.)
- The Council's financial planning ensures the achievement of a balanced budget and financial position across a five year period and provides for a minimum and target level of General Fund Reserves. Similar financial planning is undertaken for the Housing Revenue Account.

Yours sincerely

Caroline Ryba
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CAMBRIDGE
CITY COUNCIL

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30 March 2015

Dear Mr Hodgson

Understanding how the Civic Affairs Committee gains assurance from management

I am writing in response to your letter of 4 February 2015 in my capacity as Chair of the Civic Affairs Committee.

I have considered the questions that you raised, consulted appropriate officers and set out responses on behalf of the Committee below.

1. How does the Civic Affairs Committee, as 'those charged with governance' at the Authority, exercise oversight of management's processes in relation to:

- *Undertaking an assessment of risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)*

Management's overall assessment of the risks that the financial statements may be materially misstated is reflected by the inclusion, in the corporate risk register, of identified risks, control measures in place and any additional actions required to mitigate those risks. Members of Civic Affairs have the role of overseeing the effective management of risk by officers. In effect this means that they agree the Strategy, framework and process put forward by officers. The Risk Management Strategy was last formally presented to the Committee in March 2013. Updates, for example arising from internal audit work, are provided as necessary.

Civic Affairs also approves the Internal Audit Plan (usually presented in March each year) and receives reports on the Annual Review of the Effectiveness of Internal Audit and the Annual Opinion of the Head of Internal Audit (in June each year) to review and challenge. In addition, the Committee receives a mid-year audit opinion progress report (around November each year).

The Council's financial statements are prepared substantially from information held in its Financial Management System together with information held on other systems which feed into it. The Internal Audit work, which the Committee approves and receives reports upon, includes review of the Council's key financial systems and processes in order to gain assurance that appropriate systems of control are in place and operating effectively.

- *Identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist*

The work of Internal Audit includes identifying those systems or transactions which may be more susceptible to fraud and these areas are appropriately covered by the Internal Audit Plan which Civic Affairs approves. Any significant issues which arise from audit reports may be reported either to the committee or direct to the relevant scrutiny committee, as appropriate.

- *Communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority Code of Conduct)*

Employees are required to follow the Council's Employee Code of Conduct (available on the intranet), the latest version of which was approved by Civic Affairs in March 2011. Further specific amendments in relation to gifts and hospitality were approved by the Committee in June 2013.

Fraud and irregularity investigations are reported annually in June to Civic Affairs in the Annual Report on Prevention of Fraud and Corruption Policy. This includes a summary of investigations into benefit fraud, theft and any whistleblowing allegations.

- *Encouraging employees to report their concerns about fraud*

There is a whistleblowing policy, which staff are made aware of and which is available on the intranet. Civic Affairs receives a summary of whistleblowing activity as part of the Annual Report on Prevention of Fraud and Corruption Policy.

- *Communicating to you the processes for identifying and responding to fraud or error?*

Fraud and irregularity investigations are normally reported annually to Civic Affairs. This covers Internal Audit work as well as that of the Revenue and Benefits Service Fraud Prevention Team.

The Leader of the Council and relevant Executive Councillor receive copies of the final versions of all Internal Audit reports.

2. How does the Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

As outlined above, the Committee oversees management processes in relation to the risk of fraud and weaknesses in internal control through the monitoring of Internal Audit activity and the setting of risk management strategy.

3. Is the Committee aware of any:

- *Breaches of, or deficiencies in, internal control;*

Internal Audit report on any identified deficiencies in internal control as part of their audit work. The outcome of this work in respect of 2013/14 was summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion at the meeting in June 2014. The overall conclusion was that Cambridge City Council has a fundamentally sound governance framework from which those charged with governance can gain assurance.
The Committee also critically reviews the AGS and associated action plan to ensure any significant governance issues are appropriately addressed.

The outcome of internal audit's work in respect of 2014/15 will be summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion and Annual Governance Statements (AGS) at the meeting in June 2015. The mid-year audit opinion progress report (reported in November 2014) identified no critical actions arising from audit findings.

- *Actual, suspected or alleged frauds during 2014/15?*

Investigations into alleged fraud are summarised in the Annual Report on the Prevention of Fraud and Corruption Policy presented annually to the Committee. The Committee and Internal Audit are not aware of any frauds which would have a material impact on the financial statements.

4. Is the Committee aware of any organisational or management pressure to meet financial or operating targets?

The Council uses a number of financial and operating targets; for example, Cost Centre Managers and Directors are expected to manage their budgets within cash limits. However, targets are flexed as appropriate and there is a revised budget process in each financial year which is designed to identify and manage unavoidable budget variances and agree appropriate remedial actions.

5. How does the Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2014/15?

There are specific legal responsibilities on the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Section 151 Officer) to report on aspects of compliance with relevant laws and regulations.

Internal Audit's annual plan contains a programme of work that includes reviews of compliance with policies, procedures, laws and regulations. In addition, work is carried out by other inspection agencies.

The process for compiling the Annual Governance Statement includes consideration of compliance with laws and regulations.

The Committee is not aware of any non-compliance which could have a material impact on the financial statements.

6. Is the Committee aware of any actual or potential litigation or claims that would affect the financial statements?

The Committee is not aware of any actual or potential litigation or claims that would have a material impact on the financial statements. As part of the preparation of the financial statements for 2014/15 officers will consider the accounting treatment of such items and any which are significant will be reported to the Committee.

7. How does the Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Local Authorities derive their powers from statute. The assumption that a local authority's services will continue to operate for the foreseeable future is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (albeit within certain limits set by statute/central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government for the continuation of the services.

In addition the financial position of the Council also indicates that the going concern basis is appropriate:

- The Council has significant income-generating net assets (£533 million at 31 March 2014). These net assets include a significant property portfolio.
- Cash deposits and investments exceeded £110 million at the end of February 2015.
- The Council has significant usable reserves (£80 million at 31 March 2014).
- The Council has a detailed medium term financial strategy which ensures the achievement of a balanced budget and financial position across a five year

period and provides for a minimum and target level of General Fund Reserves. Similar financial planning is undertaken for the Housing Revenue Account.

Yours sincerely

Councillor Russ McPherson
Chair of Civic Affairs Committee

Accelerating your financial close arrangements

EY Think Piece

Contents at a glance

EY

Building a better working world

Accounting, auditing and governance

Accelerating your financial close arrangements for the new 2017/18 deadline, commencing the pathway to success

In our November 2014 briefing, we told you about the Government's consultation on the Local Audit Regulations associated with the Local Audit and Accountability Act. This consultation has now concluded, and on the 17 February 2015 the Accounts and Audit Regulations 2015 were laid before Parliament, having been made (signed by the Minister) under the Local Audit and Accountability Act 2014 on 12 February 2015. www.legislation.gov.uk/uksi/2015/234/contents/made

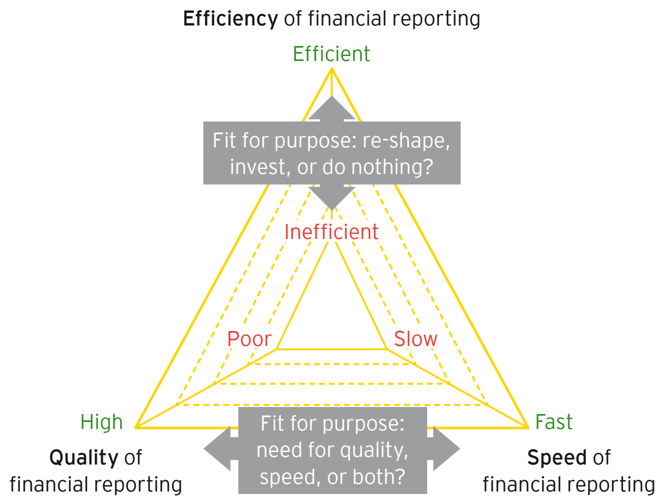
A key area of the regulations is that from the 2017/18 financial year, the timetable for the preparation and approval of accounts will be brought forward to a draft accounts deadline of **31 May** and an audit deadline of **31 July.** These changes provide challenges for both the preparers and the auditors of the financial statements. The impact of the changes to the deadlines and their impact is shown in the table below.

	Current deadline	2017/18 deadline	Reduction in time
Preparation of draft financial statements, signed by s151 officer	30 June	31 May	30 days
Approval and publication of financial statements with audit opinion	30 September	31 July	62 days
Available audit time	92 days	61 days	31 days

The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management.

This is the first of a series of briefings we will produce during the transition to the new financial reporting timetable. This briefing draws on our experience of working with clients who have successfully closed their accounts early and had their audit opinions issued by the end of July. It also draws on discussions we have had with our clients at our recent Public Sector Accountants workshops and will highlight early areas of consideration that you can begin to think about. We will set out areas for consideration in how we can work together with you to meet the revised deadline for 2017/18 or sooner, as we think a trial run and review of the process in 2016/17, would pave the way for a successful outcome once the regulations are introduced formally a year later.

The second briefing, which will follow in early summer, will provide a more detailed analysis of how 'fit for purpose' your financial reporting function is, and how you balance the speed of financial reporting, against the quality of financial reporting.



Accounting, auditing and governance

The economic downturn, the impact of austerity on public sector funding levels, the increased demand for regulatory compliance, greater transparency over the use of public funds, and now a faster reporting timetable is making the task of delivering on-time, high quality financial and non-financial information ever more challenging, for practitioners and auditors.

The good news is that with some planning, communication and joint working, those deadlines are highly attainable — sixteen principal local government bodies received an unqualified audit opinion by 31 July 2014 and published their audited accounts promptly — as reported in the Audit Commission's report — 'Auditing the Accounts 2013/14: Local Government Bodies.' The Audit Commission notes that **'the timely presentation of audited accounts with an unqualified audit opinion is fundamental to good governance. It indicates that bodies have sound financial management arrangements and is the main way that they account for their use of taxpayer's money.'** Therefore, making the year-end closedown routine part of that overall financial management of the Council is crucial to achieving the deadline, not having it as a bolt on exercise for Month 13 with a specific set of autonomous deadlines.

The omens are good, as the majority of Councils are on the right trajectory having met the current reporting deadlines consistently for the last few years, the challenge now is upping the speed of that trajectory to achieve the faster deadlines.

Early considerations for the preparers of the accounts and their auditors

As with any 'project' the key to success is in the planning, together with timely engagement and collaboration between the preparers of the financial statements and the auditors of those statements.

We appreciate that each client starts from a slightly different base position. Therefore, there is no one size fits all solution. However, there are areas where consideration can be given now:

- **Revisit the current project timetable.** Our clients who have been able to close early, place this success on the robustness of their project timetable and their understanding and management of bottlenecks and requirements for information from outside the finance team.

  Understanding how your current project timetable, where the bottlenecks are, and the critical path of the tasks required to meet the new deadlines will shape the areas of financial reporting that need the most attention. The earlier this is done, the greater scope there is to smooth the process and develop the capacity to deliver the key tasks.

  Working with your auditor, you can discuss and agree timings of the audit and build this into the overall plan, rather than run it as separate closedown and audit work-streams.

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- **An early in-year financial hard close.** A hard close provides the auditor with the opportunity to perform early substantive procedures, especially on the revenue side of the primary statements, and to 'bank' audit assurance early in the process, thereby saving time in the tighter latter period.

  Typically auditors speak of a Month 9 hard close as being optimal in other sectors such as the NHS. But with Local Government responsibilities for setting Council Tax, authorities need to be mindful of their budget setting process and timetable. It may be that a Month 8 or Month 10 hard close would be better. What would work for your auditor? What are the barriers to doing an in-year hard close? Does your finance team have the capacity to do this?

  Is it possible to bring forward the process of setting the budget, to allow a Month 8–10 hard close to happen, without reducing capacity for other key finance responsibilities? There are examples of Councils having completed the budget review and setting process by late October — subject to Member discussions and agreement before the end of November. This may be an enabler to performing a part-year hard close.

- **Format of your accounts.** Do you have any superfluous notes? How much detail do you provide? This is the quality aspect of financial reporting. Now is the time to streamline the content of your statements, and remove any notes that are not required (on the basis of materiality), and review accounting policies in light of those note changes.

  In December 2013, CIPFA issued 'Financial Statements: A Good Practice Guide for Local Authorities' which included a chapter around materiality and clutter. This report highlighted two types of clutter identified by the Financial Reporting Council in their report 'Cutting Clutter':

  - Immaterial disclosure that inhibit the ability to identify and understand relevant information
  - Explanatory foreword information that remains unchanged from year to year

  Remember as the preparer of the statements, you must determine your own materiality level for inclusion of items in the accounts and this level may be different to that of your auditor.

  It is, as is a common theme here, appropriate to discuss what the auditor would consider materiality to be, so you can take an informed view. In addition, discuss any amendments to your accounts template with them prior to rationalising it, so they can begin to build an expectation of the year end position.

- **Review your approach to estimates.** Estimating is a valid way of closing down certain aspects of your accounts early e.g., year-end accruals, holiday pay accruals, IAS 19 Pension liabilities and deductions. Your auditor will be interested in the robustness of the methodology for estimation, and the impact of estimation uncertainty. For example, you may wish to review your approach to accruals and set a revised upper limit, under

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which you would not accrue. In the next two years, you could monitor post year-end payments and demonstrate that the totality of expenditure below the accrual limit is not material, thereby demonstrating that your approach is valid and not unreasonable.

- **Review your year-end journal process.** Do your year-end journals actually have to be done at the year end? For example depreciation, this charge is usually put through at the year end. But is there anything stopping it being a Month 1 transaction? The overall asset base upon which the charge is based, is known in April and can be adjusted for any prior year audit amendments early. It will only change if there are significant additions, disposals, revaluations or impairments to that asset base. But even these changes may not lead to a material change in the depreciation charge, given the way in which the annual depreciation charge is derived. A year-end reconciliation of the basis of the charge to any asset base adjustments in the year will justify the charge to the auditor, or require a simple amendment within the financial statements.
- **Third Party information.** The project timetable, above, should include the receipt of information from third parties. Ensuring that the third parties are on timetable and aware of the revised deadlines is key. Third party information includes the Actuary of the LG Pension fund, valuation information on the asset base, information from wholly owned companies for Group consolidation and Business Rate appeal information from the Valuation Office.
- **Manage Members' expectations.** A 31 July audit deadline will mean rescheduling your Audit Committee (or equivalent body who perform the duties of 'those charged with governance') before the deadline.

  It may also be appropriate to move away from showing members the draft accounts in May (June as it currently is). The 2009 Account and Audit regulations did not require Member 'approval' of the draft accounts as was previously the case, but many Councils still take a full draft set of accounts to an Audit Committee.

  It may be better to take the accounting policies to an Audit Committee during the year for approval (as required annually) and build a finance reporting culture that will demonstrate to members what the expected outturn position will be, highlighting any key transactions (for example big asset transactions in or out, revaluations, provisions).

  If this happens throughout the financial year and Audit Committee cycle, then Members will know what to expect. A final year-end paper with the accounts for approval in July will join the information together and allow Members to have the right information to be able to approve the financial statements. In addition, those accounts would have been subject to audit, and the auditor's report will be available to read alongside the financial statements.

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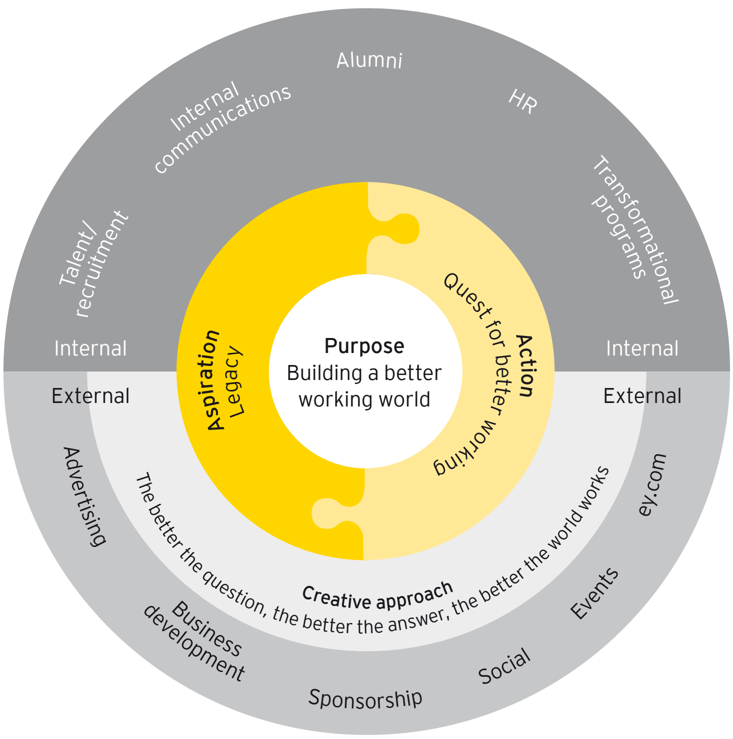
- **Review the operation of your ledger system.** Whilst everyone uses a ledger system, not everyone derives their financial statements straight from it. There are many instances of off-ledger spreadsheets, and ad-hoc systems being bolted on to create the accounts.

  To auditors, this is inefficient and requires additional audit procedures over the off-ledger work. Councils should review their ledger system and its capabilities. Is your chart of accounts correct? Can your current system do more to support the preparation of the accounts? Can you minimise the extent of off-ledger work that is required to prepare the financial statements?

- **How fit for purpose is your current financial reporting system?**

This would allow us to make better use of data analytics – our tool which analyses all data in a certain population (i.e., payroll, ledger, Accounts Payable) rather than sample test that population. Analytics is a powerful tool, giving assurance across the whole population data set, quickly pulling out anomalies for further review. However, the power of analytics is dependent upon the data set going into the tool. This requires us to work with you, so we get the data in the way which is quick and easy for us to use, without manipulation or filtering.



Questions for Audit Committees

Our think piece highlights a number of questions that are pertinent to the preparers of your Council's financial statements. We set out below, some high level questions, which Audit Committees should consider and gain assurance over, in preparation for the earlier financial statement deadlines.

1. How reliable are your internal financial reporting processes and how aligned are they to delivering external facing financial statements, as opposed to delivering internal management reporting requirements?
2. How assured are you about your overall control environment currently and how robust are those arrangements ahead of preparing for the new accelerated reporting deadlines?
3. Have you considered the impact of new financial reporting requirements[1] and complexities which will impact on the same timeline?

[1]Examples of new financial reporting requirements for consideration; the extension of the accounting for Infrastructure assets, changes to the CIPFA Code of Practice on Local Authority Accounting; and changes to service delivery models which leads to the requirement for group accounts.

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