CAMBRIDGE CITY COUNCIL

REPORT OF: Head of Finance

TO: Civic Affairs Committee 28/6/2017

WARDS: None directly affected

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

1 INTRODUCTION

1.1. The Audit and Accounts Regulations govern the preparation, approval and publication of local authority accounts. For the 2016/17 financial year 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.

1.4. Significant items of note in the 2016/17 accounts are also highlighted together with explanations of the differences in presentation between final outturn reporting to Scrutiny Committees 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 2015. For 2016/17 the regulations 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.

4 AUDIT OF THE ACCOUNTS AND REPORTING ARRANGEMENTS

4.1 The 2016/17 audit of accounts is being undertaken by Ernst & Young (EY) and commenced on 30 May. Representatives of EY will be present at the meeting to give the Committee a verbal update on the progress of the audit.

4.2 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 2017. EY will also present their formal findings in September.

4.3 As in previous years, officers have liaised with the external audit team to agree the accounting approach to a number of accounting issues this year. Further details on this are given in 9.13.

4.4 The draft accounts have been published on the Council's website. The accounts and certain other related documents are available for inspection by members of the public for a period of 30 working days after the publication of the draft each year. This period started on 12 June 2017 and will end on 21 July 2017. 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, during the inspection period.

5 FORMAT OF THE ACCOUNTS AND CHANGES INTRODUCED IN 2016/17

5.1 The 2016/17 draft Statement of Accounts are shown in Appendix 1

5.2 The Council is required to publish a Narrative Report with the statement of accounts. The report (statement of accounts page i) includes comment on the financial performance of the Council in the year and its economy, efficiency and effectiveness in the use of resources. The report includes the review of the Corporate Plan which will be presented to Strategy and Resources Scrutiny Committee in July 2017.

5.3 The format of the Statement of Accounts has been amended as part of the "Telling the Story" changes included within the 2016/17 Code. The Code now requires that the Council's Comprehensive Income and Expenditure Statement (CIES) is presented using the same service segments (portfolios) as the Council uses. In addition a new Expenditure and Funding Analysis has been included. This note details the movement between the statutory General Fund and Housing Revenue Account position reported on a portfolio basis with the position reported under proper accounting practices presented in the CIES. The Code has required the Council to restate comparative figures for 2016/17 using these new formats

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

Movement in Reserves Statement (statement of accounts page 3)

The Movement in Reserves Statement presents the total actual reserves of the Council and their movement in the financial year. 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, Housing Revenue Account Reserve, earmarked reserves and capital receipts. Members are updated on the level of usable reserves as part of the mid-year financial review and decisions on their use are made as part of the budget-setting process.

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.

Expenditure and Funding Analysis (statement of accounts page 5)

The Expenditure and Funding Analysis and the associated Note 9 analyse the adjustments between the funding and accounting basis across the Council's portfolios and other operating income and expenditure.

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). They are therefore not reported as part of outturn.

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

Comprehensive Income and Expenditure Statement (statement of accounts page 6)

The CIES presents service income and expenditure in line with the Council’s portfolios on a proper accounting basis.

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.

Balance Sheet (statement of accounts page 7)

The balance sheet details the value of the Council's assets, including property and investments, and liabilities including the loan from the Public Works Loan Board and the pension liability.

6 GROUP ACCOUNTS

6.1 Cambridge City Housing Company (CCHC) was incorporated in February 2016 and commenced trading in May 2016. The objective of Cambridge City Housing Company is to provide and manage intermediate housing to rent for those in housing need and to generate a financial return to the Council.

6.2 The Council owns 100% of the share capital of CCHC and has therefore determined on the grounds of materiality to present group accounts for the first time this year. The financial statements of Cambridge City Housing Company have therefore been consolidated with those of the Council on a line by line basis. Balances, transactions, income and expenditure between the Council and the subsidiary have been eliminated in the consolidation. Most notably the group accounts eliminate the £7.5 million loan given by the Council to CCHC, and include the value of the properties that CCHC owns within Property, Plant and Equipment.

6.3 The Group Accounts (page 79 in the statement of accounts) present the main financial statements for the group and relevant notes where these are materially different from those presented in the Council's accounts.

7 COUNCIL FINANCIAL RESULTS FOR 2016/17

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

7.2 The Movement in Reserves Statement (page 3 of the statement of accounts) shows an overall increase in the Council's usable reserves of £12.9 million to £95.9 million.

7.3 There was a net increase of £8.3 million in respect of the Capital Receipts Reserve, which can only be used to support capital expenditure.

7.4 General Fund unallocated reserves decreased by £0.6 million to £15.4 million. General Fund earmarked reserves increased by £6.2

million to £24.0 million. This increase most notably reflected contributions to the City Deal, Invest for Income and Office accommodation Strategy reserves.

7.5 HRA reserves increased by £0.4 million to £10.2 million. HRA earmarked reserves increased by £0.3 million to £4.2 million.

7.6 A more detailed analysis of the movement on both HRA and General Fund earmarked reserves is shown in note 5 (page 21 of the statement of accounts).

7.7 The Expenditure and Funding Analysis (EFA) (page 5 of the statement of accounts) reconciles the movement on General Fund and HRA general and earmarked reserves in the year in more detail to the performance recorded in the Comprehensive Income and Expenditure Statement (CIES). Although this reconciliation is by portfolio, which will be familiar, the amounts borne on the General Fund and HRA as reported in the EFA differ from those reported at outturn due to a number of factors including the reporting of depreciation of assets and items (property income for example) which are reported in other operating income and expenditure for statutory purposes. The narrative report (pages xvi and xvii) includes details of outturn and reconciliation between the totals. A reconciliation by portfolio is included at Appendix 2.

7.8 The Comprehensive Income and Expenditure Statement (Page 6 of the statement of accounts) shows a net surplus on the provision of services (measured according to proper accounting practice) of £14.0 million, compared to a net surplus of £38.6 million last year. The major reasons for the change are:

- The HRA cost of service includes a charge for revaluation losses of £8.7 million (a credit of £9.3 million in 2015/16). This reflects a reduction in the percentage used to calculate the value of social housing in East Anglia from 39% to 38% of open market value. This percentage is determined by central government.
- Financing and investment income includes £10.3 million of revaluation increases in respect of investment properties (£13.4 million in 2014/15).
- Taxation and non-specific grant income includes capital grants of £1.8 million (£4.9 million in 2015/16). The figure for 2016/17 reflects a repayment of £1.5m of Green Deal grant to central government following the end of the scheme.

7.9 The CIES also shows a net surplus on the revaluation of property, plant and equipment of £5.6 million (net of a £3.3 million loss on revaluation of housing properties) compared to a net surplus of £49.1 million (which included a £30.2 million gain in respect of housing properties) in 2014/15.

7.10 There is a total charge of remeasurements of the Council's net defined benefit pension liability of £3.3 million (a credit in 2015/16 of £22.8 million).

7.11 The Balance Sheet shows that the Council's overall net assets at 31 March 2017 were £15.9 million higher than at 31 March 2016, at £696.4 million. There were significant increases in the value of investment properties (£10.3 million). Long term and short term investments and cash balances decreased by £20.2 million. Short term debtors decreased by £6.1 million. There was an increase in the long term pension liability of £7.3 million

8 GROUP FINANCIAL RESULTS FOR 2016/17

8.1 The Group Movement in Reserves (statement of accounts page 81) shows total group reserves of £95.7 million at the year end. This is includes the Council's share of the operating deficit of Cambridge City Housing Company, and is after the elimination of transactions between the Council and the company.

8.2 The Group Balance Sheet (statement of accounts page 84) includes the value of the housing company properties of £7.3 million within property, plant and equipment. The £7.5 million loan between the council and the company is also removed on consolidation.

9 CHANGES IN ACCOUNTING POLICY AND SIGNIFICANT ITEMS OF NOTE IN 2016/17

9.1 There are no changes in accounting policy in 2016/17.

Business Rates Retention Scheme

9.2 Since the introduction of the Business Rates Retention Scheme in 2013/14, 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.

9.3 The Council has a provision in the 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 30 to the accounts. The Council's share of the provision at 31 March is £3.7 million.

9.4 As noted in previous years, 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. In common with many other authorities, the Council uses data provided by Inform CPI which is based on extensive national and local property and historical rating information.

9.5 There were two matters in respect of business rates, where although no financial impact was reflected in the 2015/16 accounts, disclosure as contingent liabilities was made. These matters related to a proposal to merge a national network into a single list entry and therefore remove it from the Cambridge rating list and a claim for mandatory charitable relief made by NHS trusts.

9.6 The Council has been informed that the proposal to merge the national network has been withdrawn. The potential for loss of business rates from this has therefore been removed and no mention is therefore made of this matter in Note 34 in the 2016/17 accounts.

9.7 The NHS trusts claim for mandatory relief remains. For the city area it has been estimated that the backdated loss of rates income to 31 March 2017 would be in the order of £14.4 million, of which the Council's share would be £5.8 million. Legal advice obtained by the Local Government Association on behalf of affected councils is that these applications for rate relief are unfounded.

9.8 The Council agreed to participate in the business rates retention Cambridgeshire Growth pilot. Under this scheme the Council has retained an additional £575,000 of business rates over that which would have been retained under the standard national scheme.

Asset Disposals

9.9 The Council has completed two significant asset disposals during the year.

9.10 The Council agreed terms with Cambridge United Charities during 2016/17 to vacate Hobson House. The Council occupied the building under terms first agreed in the late 1800s. Council staff currently remain in the building under a short term lease but are expected to vacate it during 2018.

9.11 The Council also sold a strip of land in Cowley Road to allow access for potential development in the North East of the city around the site of the new Cambridge North station.

9.12 The consideration for these assets cannot be known with certainty at the balance sheet date as the final amounts are contingent on future events. The Council has estimated the fair value of the proceeds and included these estimates in long term debtors (and deferred capital receipts) at the balance sheet date. The statement of accounts highlights that this valuation is at the lowest level in the fair value hierarchy as the valuations are based on a number of unobservable inputs and estimates.

9.13 The approach to accounting for these disposals has been the result of detailed discussions and joint working with Ernst and Young, and is an example of the good working relationship that the Council maintains with external audit.

10 DEVELOPMENTS IN FINANCIAL REPORTING

Faster Closedown

10.1 The Accounts and Audit Regulations 2015 require 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.

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

10.3 The 2016/17 draft accounts were approved for issue before the end of May and the Council has therefore demonstrated that it can meet the new statutory deadline. Production of the accounts remains a complex task and one that requires significant resources. The requirement to prepare group accounts has added further complexity and the need to include further organisations in 2017/18 will further add to this.

10.4 A detailed review of the closedown process for 2016/17 will be undertaken to look for further improvements and efficiencies.

2017/18 Code Changes

10.5 There are no significant changes to the Code of Practice for 2017/18.

11 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 2016/17

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 2017\Statement of Accounts report to Civic Affairs June 2017.docx

Date originated: 09 June 2017

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Appendix 1

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDING
31 MARCH 2017

UNAUDITED

This document is available on our website at www.cambridge.gov.uk

Cambridge City Council
Statement of Accounts
2016/17

Contents

The Statement of Accounts, set out on pages 1 to 117, contain a series of statements, summarising the financial implications to the Council of delivering services in the period from 1 April 2016 to 31 March 2017. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are presented.

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

In addition to the Council's Statement of Accounts, consolidated Group Accounts are also being presented for the first time. The key financial statements are as follows:

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

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

In line with The Code the Council is presenting the Net Cost of Services analysed by Portfolio for the first time this year. More about this change can be found in Note 43 to the accounts.

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

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

Review of 2016/17

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

The Report includes the review of achievements against the Council's Corporate Plan which is also due to be presented to the Council's Strategy and Resources Committee in July 2017, alongside a review of the financial performance for the year.

Corporate Plan – Review of 2016/17

The Council's Corporate Plan for 2016/19 sets out the key activities Cambridge City Council will undertake over a three year period in order to achieve its strategic objectives and vision. This annual report shows what has been achieved over the first year under the following priority headings:

1. Deliver sustainable prosperity for Cambridge and fair shares for all
2. Tackle the city's housing crisis and delivering our planning objectives
3. Make Cambridge safer and more inclusive
4. Invest in improving transport
5. Protect our City's unique quality of life
6. Protect essential services and transforming council delivery
7. Tackle climate change, and making Cambridge cleaner and greener

The following shows how we have got on in the first year.

1 Deliver sustainable prosperity for Cambridge and fair shares for all

We said that we would carry out the actions in our Anti-Poverty Strategy (APS) action plan including supporting and promoting the services offered by credit unions in Cambridge; and promoting the living wage to help people on low incomes maximise their income and minimise their costs.

During the year we spent just over £350,000 on 15 projects to help deliver the 70 actions in our Anti-Poverty Strategy. These projects included: running a Living Wage campaign, which raised the number of Cambridge employers accredited by the Living Wage Foundation to 50; helping to increase local membership of Credit Unions by 240 people (since October 2015) by creating an Advice Hub in the Council's Customer Service Centre and expanding local access points, and supporting an outreach advice service based in local GP practices that increased the incomes of 200 vulnerable people, entitled to claim benefits, by £486,000 so far.

We said that we would support children and families who face greatest need in the city by providing opportunities to be included and engaged in the life of the city.

During the year we provided just over 3,000 free community lunches for families in the school holidays; ran a Summer Daze free programme of events involving 2,000 children and their families; targeted programmes for young people less likely to get involved in activities; improved our offer at Brown's Field Community Centre for families; promoted a Junior Savers project that has encouraged young people to open savings accounts with a Credit Union, and; funded cookery skills courses for 250 adults and children.

We said that we would ensure the impacts of welfare reform are managed smoothly and effectively to include the Council's local council tax reduction scheme; and work with the DWP to support residents with the implementation of Universal Credit.

During the year:

£350,000 was spent on anti-poverty projects to help people living on low incomes

50 local employers continued to be accredited with the Living Wage Foundation

3,000 free community lunches were provided to low income families in school holidays

12,000 children and young people attended ChYpPS sessions

During the year we continued to support our customers affected by national welfare reforms and built strong external relationships to enable changes brought about by the reforms to be rolled out as smoothly as possible. We entered into a delivery partnership agreement with the DWP to triage and help local people affected by Universal Credit. We continued our Council Tax Reduction Scheme, giving a reduction to 6,500 people, and used Discretionary Housing Payments to provide support to 300 of the most vulnerable people. We contacted and assisted all of our tenants, monitoring any direct rent payments, and reduced evictions for rent arrears by nearly a third compared to the previous year. The Council was in the top 20 in terms of speed of processing in DWP's official statistics in the first part of the year.

300 of the most vulnerable people received Discretionary Housing payments to help them stay in their homes

6,500 people were awarded a Council Tax Reduction by the Council

We said we would review community-based activity and facilities, and work in partnership, to ensure that services support those in greatest need.

During the year we continued to offer activity programs, places to meet and a range of spaces for hire in our community centres. We began a review of community-based activities and facilities to ensure that they can support residents in the greatest need and reflect the growth of the city. An audit of citywide community facilities was completed and an assessment made of where there are gaps in provision and any duplication. A Community Centres Strategy has been drafted, which includes proposals that could see changes to seven of our eight community centres, and this is being consulted on with local communities and stakeholders.

137,000 visits to our community centres

We said we would ensure through the planning process that new developments include community and other facilities that make them high quality places to live.

During the year we continued to apply the Council's policies in respect of community facilities to ensure new provision and existing facilities meet community need. The Council is contributing towards the delivery of the North West Cambridge and Clay Farm community buildings.

We said we would work with partners to secure devolution of powers and funding from central Government, and expand joint delivery of public services.

During the year we came together with other councils in Cambridgeshire and Peterborough and other major public services in the area to develop a scheme with central government that devolved powers and functions to a new Combined Authority with a directly elected Mayor. The Cambridgeshire and Peterborough Devolution Deal will deliver substantial investment for the Combined Authority area of around £700m.

We said we would work in partnership with the new destination management organisation for Cambridge and the surrounding area to maximise the economic benefits from tourism to the city.

During the year we played an active part in the establishment of Visit Cambridge and Beyond, supporting the new destination management organisation in its work to attract visitors to the city and maximise the economic benefits to the city that they can bring within a sustainable model of tourism.

We said we would work with digitally excluded tenants and residents to enable them to access online services that improve their life chances.

During the year we continued to fund and sign-post social tenants to digital inclusion training being run by Cambridge Housing Society, Camsight and Cambridge Online. These organisations provided a total of just over 1,500 hours of direct support to 240 people interested in being online. 44 people expressed an interest in becoming Digital Champions in the city and helping other people access online services.

We said we would continue to support vital citywide and local advice and support services for those most in need, provided by the Citizens Advice Bureau (CAB), our skilled council advisers and others. We will carefully target investments from our Sharing Prosperity Fund, and investigate expanding CAB outreach workers to other surgeries in communities of high need.

During the year we provided a £900,000 community grants programme to support voluntary and community groups engaged in reducing social and economic disadvantage for city residents with the highest needs. This included providing £200,000 of funding for the mainstream work of the Cambridge Citizens' Advice Bureau and other specialist advice providers.

£900,000 was paid in community grants to help voluntary and community groups deliver services to those most in need

2 Tackle the city's housing crisis and delivering our planning objectives

We said we would work with partner local authorities, Registered Providers and developers to build new homes across all tenures in accordance with the local plan, with a particular focus on maximising delivery of social rent housing.

During the year 415 affordable housing completions, including growth sites, council land and other sites were delivered. Of these, 75 were provided by the Council for rent and shared ownership.

During the year:

415 affordable Housing completions

9 national awards for the quality of new developments

We said we would develop a "General Fund Development Programme" to make the most of the Council's land to provide new market, social rented and – potentially - intermediate housing, at a range of sites including, for example: Mill Road Depot; and Park Street Car Park.

During the year a Supplementary Planning Document (SPD) was developed for the Mill Road Depot site following thorough community engagement. Proposals for this site and Park Street Car Park are being worked up and are being taken forward through the Council's new investment partnership with Hill – Cambridge Investment Partnership. The Council continued to work on a General Fund Development Programme to bring forward affordable housing.

We said we would continue to provide council housing, focusing on those most in housing need.

During the year we continued to manage and maintain over 7,000 homes in the city. Changes to social housing and welfare policy have had a significant impact on how we do this and caused us to review this service and change the way it is managed, minimising as much as possible the impact on our tenants. Many of our tenants are vulnerable and our Tenancy Sustainment Service supported 71 clients in keeping their tenancies in the year, many of whose primary need was for mental ill health support.

7,000 homes continued in Council management

71 tenancies were sustained that otherwise may have been lost

We said we would provide housing advice to reduce, and help prevent, homelessness by offering early advice on alternative housing options.

In conjunction with partner agencies, the Council worked hard to prevent homelessness in a record number of cases in the year. Advice or alternative accommodation was offered to nearly 1,000 households facing this threat.

We said we would encourage private landlords to deliver good standard, energy-efficient housing and tackle those who do not.

During the year we investigated 340 complaints about housing standards and empty properties and served 29 enforcement notices. Four landlords were successfully prosecuted for fines and costs amounting to just under £34,000 and we administered one formal caution in relation to Housing Act offences. We also helped bring back into use 72 empty homes and trained 50 landlords in good housing management practice. Through the Green Deal for Communities we carried out £500,000 of work installing 106 measures in 75 private rented sector properties.

72 empty homes were brought back into use

We said we would support health and social care partners to deliver effective community and home based support.

During the year we continued to provide care and support for people living in our sheltered housing scheme at Ditchburn Place. We also made a number of intermediate care flats available in the year to the County Council for use by Addenbrookes Hospital to help relieve pressure on their bed spaces, while individuals wait for community based care and support.

We said we would seek to secure target of 40% affordable housing in new developments through the planning application process.

During the year we continued to secure the Council's adopted policy of 40% affordable housing on sites of 15 or more dwellings in the majority of instances, with 415 affordable housing completions.

We said we would support the local plans through the examination process to adoption and then joint implementation with partners, particularly in partnership with South Cambridgeshire District Council.

During the year we continued to defend the Council's Local Plan at Examination in public hearings, working closely with South Cambridgeshire District Council.

We said we would ensure planning applications are dealt with within target timescales and resources.

During the year we met the Government's target timescales for all planning application types and dealt with nearly 1,500 planning applications.

We said we would develop further the Cambridge City Housing Company.

During the year we transferred 23 properties from a developer into a Housing Company we set up to purchase and market properties to enable them to be let as intermediate housing at sub-market rents.

We said we would work with our partners in the City Deal through the shared Housing Development Agency to deliver additional affordable homes for market sale and rent on sites in and close to Cambridge.

During the year the Greater Cambridge Housing Development Agency (HDA) completed schemes in both the city and across South Cambridgeshire totalling 274. 143 of these were Affordable Housing (social rent, Affordable Rent, shared ownership) and a further 29 let at rents at 80% of market value. The rest of the housing was for market sale.

75 new homes for social renting were provided by the Greater Cambridge Housing Development Agency (HDA)

We said we would seek ways to continue building new City Council homes.

During the year we secured £70m of housing grant for Cambridge, as a part of the Devolution Agreement, to start to build at least 500 new Council homes over the next five years. This will be topped-up by Right to Buy receipts and will enable the Council's new house building programme to continue. The Cambridge Investment Partnership will be the main delivery vehicle for this programme.

£70,000,000 was allocated for affordable housing in Cambridge as part of the "Devolution Deal"

We said we would work with our statutory and voluntary sector partners to reduce street-based homelessness.

During the year we put in place a new Homelessness Strategy and action plan to show what the Council and its partners want to achieve in tackling rough sleeping. A "Homelessness Summit" was convened where partners agreed a joint "Rough Sleeping Statement" to better work together. We also secured funding through the government's Homelessness Prevention Trailblazer Fund to build on and develop a co-ordinated multi-agency approach and helped launch Cambridge Street Aid, a fund, administered Cambridgeshire Community Foundation, to support homelessness charities and other community groups to get a person off, or stay off, the streets.

£390,000 was won to deliver the Homelessness Prevention Trailblazer project

£6,000 was raised by the public to support Cambridge Street Aid

3 Make Cambridge safer and more inclusive

We said we would work to make the city a safer, more inclusive and welcoming place by promoting equality and diversity advice and events.

During the year:

During the year we continued to fund and support free community events that promoted community pride and cohesion in the City, such as the Big Weekend (which had an estimated attendance of 30,000 people), Cherry Hinton Festival, Strawberry Fair and Mill Road Winter Fair. We also worked in partnership to deliver a programme of free events to celebrate diversity.

30,000 people attended the Big Weekend event

We said we would work with County Council, Police and local residents and businesses to tackle anti-social behaviour issues, including littering, alcohol-related incidents, fly tipping and nuisance punt touts.

During the year we dealt with 300 cases of anti-social behaviour, 154 of which involved intensive casework. Our Environmental Health team received 1,856 complaints relating to noise nuisance and served a total of 35 abatement notices, with six successful prosecutions where notices had not been complied with. We also extended the Public Spaces Protection order prohibiting the consumption or possession of an open container of alcohol on Mill Road cemetery, Petersfield Green and the front garden of Ditchburn Place.

300 cases of anti-social behaviour were dealt with

We said we would ensure that Council departments, and the partners who deliver services on our behalf, meet high standards in protecting children and adults through our safeguarding activity.

Council officers submitted over 60 referrals to the Multi-agency Safeguarding Hub (MASH) to look at safeguarding issues. Safer recruitment and safer procurement/contract management has become embedded in our organisation and staff have been briefed on the requirements of Care Act. We also updated our safeguarding policy for protecting children to reflect legislative, agency and procedural changes and tailored our training offer to our different staff groupings and outside bodies to make it more relevant to them.

We said we would fund overnight street lighting across Cambridge that would otherwise have been lost, to reduce the risk of crime, reduce the fear of crime, and contribute to the wider safety of people travelling during the night or starting their journeys early morning.

The Council provided a grant to the county council to increase the brightness of street lighting in Cambridge between 10 pm and 2 am, in response to concerns about the safety of residents.

4 hours of brighter street lighting every evening was funded between 10 pm to 2 am

We said we would upgrade CCTV, including relocatable CCTV, to continue its vital contribution to making Cambridge safer. We will target areas of the city which experience most crime or anti-social behaviour.

We committed to purchase six new mobile CCTV units for use in Cambridge. The new cameras are lighter, easier to maintain, have better transmission and picture quality and can be quickly deployed to "hotspots" in the City. The Council's Safer Communities team will handle requests for use of these cameras.

We said we would follow up the consultation on the proposed Public Spaces Protection Order to achieve effective measures to tackle anti-social behaviour from punt touts.

During the year we put in place a Public Spaces Protection Order (Touting) 2016 that prohibits verbally advertising or soliciting for custom or otherwise touting for a punt tour or the hire or use of punt boats or similar craft on the River Cam. Since then, 27 fixed penalty notices have been issued for breach of the order and one person has been prosecuted for non-payment.

27 fixed penalty notices issued to "Punt Touts"

We said we would implement the Mental Health Concordat in partnership with other organisations, refocusing council service delivery on the needs of residents experiencing mental health issues.

During the year we continued to work with the Mental Health Concordat's delivery team to help create a seamless pathway for local people in mental health crisis, with specific emphasis on prevention and intervention. We developed stronger joint working between our housing and homelessness services and partners with the introduction of a Dual Diagnosis Street Team in the City and the Trailblazer project to help support local people in mental health crisis.

We said we would continue to prioritise the prevention of domestic violence and sexual exploitation, in line with the city's White Ribbon status. We will work with partner organisations to achieve this.

During the year we were re-accredited by the White Ribbon Campaign for another two years. Our joint work with partners has included organising local events for the Cambridge Community Forum on Domestic and Sexual Violence/Abuse and supporting local "Tough Love" performances to raise awareness about coercive control and domestic abuse in the intimate relationships of teenagers. Cambridge Community Safety Partnership has commissioned research into this area.

We said we would continue to re-home homeless Syrian refugees, working with the Home Office and the network of East region councils. Work with Cambridge partner organisations, including the Cambridge Ethnic Community Forum and Cambridge Refugee Resettlement Campaign, and complete a survey of refugee and asylum seeker numbers and needs in Cambridge.

During the year we continued to play a role in the settlement of Syrian refugees in Cambridge and the surrounding districts as a part of the implementation of the Syrian Vulnerable Person Resettlement Scheme. Since 2015 the Council has helped settle 49 people.

49 refugees were settled under the Syrian Vulnerable Person scheme

We said we would review the Council's approach to public engagement in formal council meetings and decision-making.

1,200 people attended Council decision-making meetings

During the year we looked at our various methods of involving local people in our formal decision-making meetings and concluded that whilst we were doing well in terms of the variety of methods used and the numbers of people participating we could do more to raise awareness of the opportunities we offer for local people to get involved. We are putting in place the actions agreed in the review to improve public awareness of our decision-making and ways to participate.

425 questions were asked by the public at Council decision-making meetings

We said we would review the role of people under eighteen in decision making and having a say on the delivery of council services that affect them.

During the year we put in place a specialist project worker to talk to young people about how they wanted to engage with the Council and the issues that they wanted addressed. After four "Agenda Days" plus additional summer activities the children and young people involved presented their findings to each of our area committees. We also supported 30 children in an event in the Guildhall as part of national "Take-Over-Day".

30 young people took over the Guildhall as part of "National Take-Over Day"

4 Invest in improving transport

We said we would work in partnership to deliver the City Deal infrastructure schemes and other transport measures that support the sustainable growth of Cambridge by reducing traffic congestion and increasing pedestrian, cycle and public transport use; and by securing additional investment from Government, transport operating companies and others.

During the year:

During the year we worked with our City Deal partners towards the delivery of a programme of transport infrastructure improvements to support the sustainable growth of Greater Cambridge. A number of priority schemes were identified to provide early benefits to residents and commuters in Greater Cambridge and consultations began on these, which included: Cambourne to Cambridge - better bus journeys; The Chisholm Trail; Cross City Cycling; Milton Road; Histon Road; City Access - Call for Evidence; Western Orbital; A1307, Three Campuses to Cambridge, and; other key transport projects.

2,569,197 cars used the Council's car parks

We said we would manage off-street parking that supports business and residents' needs, investing in modernised payment systems and improved energy efficiency and developing a partnership with the County Council's parking and enforcement roles.

3,140,000 people used Park & Ride

During the year parking enforcement continued under the agency agreement between the Council and Cambridgeshire County Council. A new Resident Parking Policy was approved and the County Council is currently preparing consultations on its first six zones. The roll-out of parking payment equipment across all Council run car parks, excluding Park Street, to offer contactless payment options to our customers was delayed in the year and will now occur in October 2017.

We said we would work with Cambridge Business Improvement District, local retailers and businesses and City Deal partners to develop a plan to reduce delivery vehicle movements in the city centre.

4,100 people walked to work

During the year as partners in City deal, we continued to make progress with the City Access project, which is looking at ways to improve traffic movements within Cambridge and encourage a shift away from private cars, to realise benefits such as reduced congestion and delays, improved air quality, and an improved environment for walking and cycling.

We said we would continue to deliver improved cycle routes, including the Chisholm Trail, other cross-city cycling initiatives and related cycling improvements.

13,000 people cycled to work

During the year we continued to work with the County Council and other stakeholders to deliver and improve cycling routes, including the Chisholm Trail project and other inter-related work on the Chesterton bridge project. The City Deal Cross-City Cycling project, consisting of five schemes, started to be delivered in the year and approval was given to the development of up to 12 cycling 'greenways' in Cambridge and South Cambridgeshire.

We said we would work with the County Council, Network Rail and private sector partners on proposals for an Addenbrookes' Rail Station and for the May 2017 opening of Cambridge North station - projects requiring integration with improved bus and cycle options. We said we would also work to improve Cambridge rail station and to secure wider additional investments in the rail network benefitting Cambridge and Cambridgeshire.

During the year we worked in partnership with Network Rail and other stakeholders to ensure the timely opening of Cambridge North Station, including improved bus and cycle options. We engaged with Network Rail and other stakeholders on both Cambridge North and Cambridge railway stations to ensure a joint approach to travel planning. Local partners have also been working with the rail industry to consider potential plans for a station by Cambridge Biomedical Campus, which is contained within the Transport Strategy for Cambridge & South Cambridgeshire.

5 Protect our City's unique quality of life

We said we would provide swimming, sport facilities and leisure services that are accessible to everyone, targeting our resources on promoting healthy lifestyles to address health inequalities.

During the year we invested in Christ's Pieces Tennis courts and worked with Park Tennis to provide free tennis courses. New run routes around Cherry Hinton Hall, Coldhams Common and Jesus Green were launched. Swimming at all the pools remained busy with numbers increasing at Jesus Green Lido. Summer saw record attendances at the Sports Zone in the Big Weekend and the Street Games programme ran over 300 sessions with more than 5,000 attendances throughout the year. Free exercise referral courses, which just over a 100 people completed, in particular helped promote healthy lifestyles.

During the year:

790,000 people visited our sports facilities

5,000 people attended our Street Games programme

We said we would engage a greater proportion and diversity of residents in the arts and cultural life of Cambridge.

During the year we developed, with partners, the "My Cambridge" cultural education partnership. This focused on increasing cultural engagement for children and young people through targeted work, especially with those less likely to engage. We also delivered the "The Cambridge Case for Diversity" event bringing together arts, cultural and equalities groups to explore how to increase the diversity of our work. We also worked with Cambridge Live and through our community grants programme to increase participation in the cultural life of the City.

3,000 children from low income families attending our free swimming programme

We said we would provide funding and targeted advice to voluntary organisations, prioritising projects that tackle inequality.

118 voluntary and community groups funded

During the year we funded 118 voluntary and community sector groups who delivered 171 services and activities to support vulnerable people. In particular Cambridge & District Citizens Advice Bureau was allocated £200,000 for the provision of free generalist legal and specialist debt/money advice. An additional £50,000 was given for a specialist welfare rights casework service.

We said we would deliver capital projects that will enhance community infrastructure and quality of life for city residents in new and existing communities.

During the year we invested in improving the quality of our public open spaces across the city to enhance community cohesion and quality of life for residents, and visitors. Projects completed in the year included: implementation of city-wide 20mph speed controls; cycling and traffic calming improvements in Water Street and Fen Road, and; wildlife and biodiversity improvements at Nightingale Rec, Cherry Hinton Hall and Sheep's Green.

98% of relevant land and highways assessed as being cleaned to an acceptable level

We said we would involve communities in the planning, development and management of community assets, including public land and buildings.

During the year we continued to ask local people what they thought about changes and improvements to our services, including the way we develop and manage community assets. The Council applied its Consultation Code of Best Practice to help ensure that our consultations focus on openness; accessibility and inclusiveness; and transparency and accountability. We ran 40 consultations in the year.

We said we would maintain a high quality and accessible city centre environment by working with the County Council, Cambridge Business Improvement District and local retailers and businesses.

During the year we continued to work closely with local retailers and businesses involved within the Cambridge Business Improvement District and other stakeholders with an interest in the City Centre to maintain a high quality and accessible City Centre environment. One initiative was the development of a policy to manage the use of "A-boards" in the City Centre.

We said that we would ensure that valuable green, natural and historic assets well-used by visitors and residents are protected and improved through the planning process.

During the year we continued to apply the Council's policies on protection and enhancement of the historic and natural environment. Joint working took place on: redevelopment of the galleries and improving facilities at Kettles Yard Museum; remodelling of the University Arms hotel at Parker's Piece, and; adaptations to the Listed Cambridge Railway Station building as centre piece of CB1.

We said we would ensure that growth that balances economic success with quality of life and place (including in the design of new buildings) is supported, as set out in the current and emerging local plan strategy

During the year we participated in Examination in Public Hearing Sessions on the emerging Local Plan, policies on design, open space and the historic and natural environment, to defend the Council's position on the quality of life and place in the City. We encouraged the quality of the design of new buildings through the co-organising and sponsoring the Cambridge Design & Construction Awards.

We said we would work with Cambridge Live, Cambridge BID and Visit Cambridge & Beyond to develop and deliver a programme of outdoor public events and activities and to maximise the economic benefits from visits and tourism.

7.4m visitors came to Cambridge

During the year we supported Cambridge Live, Cambridge BID and Visit Cambridge & Beyond in the development and delivery of a number of public outdoor events and activities, including Mill Road Winter Fair, North Pole area and additional Market events.

We said we would implement the Council's new tree strategy and existing Council initiatives for improving tree numbers and quality, including increased promotion of the council's Trees for Babies scheme. We also said we would seek clarity and partnership working from the County Council in order to retain and improve roadside tree provision.

During the year we put in place our new tree strategy that showed how we will protect and manage our trees. We planted 220 new trees on our land and our "Free Trees for Babies" scheme provided 230 trees in the year to parents. We continued to work in partnership with the County Council in managing its 10,000 street trees, which grow in pavements or road verges along the city's roads and streets, undertaking inspections, commissioning works and planting replacements. We did not achieve a formalised arrangement in the year that clearly sets out levels of funding, responsibilities and liabilities.

220 new trees were planted

30,000 trees managed by tree team

6 Protect essential services and transforming council delivery

During the year:

We said we would develop, and start implementing, our Office Accommodation Strategy, working with shared service partners to achieve cost and carbon savings.

During the year we started to consolidate our office accommodation at The Guildhall, Mandela House and 171 Arbury Road and began to relocate services previously based at Hobson House and Mill Road Depot to reduce our costs and to free up our Mill Road site for future redevelopment.

We said we would generate more income from the commercial property portfolio through investment in new and existing property.

During the year we agreed terms to acquire two new commercial properties that will generate an additional income for the Council of nearly £475,000 a year.

We said we would implement, monitor and review shared ICT, Building Control and Legal Services.

98% of Council Tax collected

99% of Business Rates collected

During the year the 3C Shared Services partnership between Cambridge City Council, South Cambridgeshire Council, Huntingdonshire continued to embed and develop the services to meet the needs of its customers. Permanent Heads of Service were put in place to provide leadership and work was carried out to meet savings targets, although a shortfall in staffing meant that these were not achieved in the year.

We said we would review existing, and explore new, opportunities for shared services.

During the year we established a shared Internal Audit Service with South Cambridgeshire Council and sought to appoint a single Head of Service. The recruitment in the year failed to find a suitable appointment to the post. A Joint Director of Planning and Economic Development for Cambridge City and South Cambridgeshire Councils was appointed. The shared Waste Service was put in place.

We said we would review current commercial activities and skills and invest in further developing them.

During the year we carried out a review of our procurement activity and this identified a number of areas where there were potential saving opportunities through the re-procurement of our contracts. The re-tendering for the Council's heating and maintenance contract delivered savings of around 25%. Refresher training was delivered on procurement and commercial training courses to our staff to develop and increase the level of skill and expertise in this area.

We said we would develop new business models to deliver sustainable commercial revenue streams to support essential council services, using the Council's "invest for income" fund where appropriate.

During the year we created a new post of Head of Commercial Services to develop sustainable commercial revenue streams to support essential council services, using the Council's "invest for income" fund where appropriate. A restructure of our Bereavement Services was completed, and a review of our Fleet Service carried out, which relocated from our Mill Road depot to new facilities at Dickerson Industrial Estate, Waterbeach, with the aim of increasing its income from commercial fleet maintenance contracts.

We said we would establish a new operational depot for our Streets & Open Spaces and Estates & Facilities.

During the year we developed proposals to relocate our present operational depot for Streets & Open Spaces services and Estates and Facilities services to the former Park and Ride site at Cowley Road. Relocation did not happen in the year as planned.

We said we would achieve service improvements and efficiencies by carrying out a comprehensive service review of Streets and Open Spaces.

During the year we undertook a review of our Streets and Open Spaces service. The findings of the review will be discussed by a Council scrutiny committee in early 2017/18 and a decision taken about the way forward.

We said we would ensure customer contacts and queries are managed in a prompt, efficient and responsive way, adopting new self-service technologies to enable customers to access services 24/7.

270,000 contacts made with our Customer Service Centre

85% of calls to our Customer Service Centre were resolved at first point of contact

During the year we received just over 270,000 contacts at our Council's Customer Services Centre. The adoption of new self-serve technologies improved our performance with a better call answer rate of 86.3% of calls answered and lower customer waiting times.

We said we would explore joined up working with neighbouring councils to deliver better services and results for Cambridge residents and businesses and deliver greater efficiencies.

During the year we prepared to put in place a new financial management system that will reduce our operational costs by replacing the three separate finance systems used by Cambridge City, South Cambridgeshire and Huntingdon District Councils. We also agreed an interim arrangement for a shared Head of Housing Management with South Cambridgeshire Council.

We said we would seek to protect residents' services despite the expected loss of 100% of the Council's core grant by 2020. We will develop and implement our 'Plan for 2020', a four year plan linked to obtaining funding certainty from the Government.

During the year we produced an efficiency plan covering four financial years to 2020/21 that led the Government agreeing to provide the Council with certainty about the minimum grant and other support to be received over the next years to 2020. We plan to save £1.7m by 2022.

We said we would support the case for Cambridgeshire and Peterborough to jointly manage all the business rates generated in the county to tackle inequality across the county, and address the infrastructure and affordable housing deficit which is a risk to sustainable growth.

During the year uncertainty remained around business rates as the Government continued to develop the 100% business rates retention scheme. As a part of discussions with the Government about the powers and functions that could be devolved to a Combined Authority, the case for jointly managing all the business rates generated in the county was raised. This has not yet been agreed by the Government.

We said we would press Government to retain the New Homes Bonus because providing additional new housing depletes council finances and the New Homes Bonus offers some compensation for these extra costs, ensuring that future growth is sustainable.

During the year we received £6.3m in New Homes Bonus from the Government. We responded to the Government's consultation on proposed reforms to the New Homes Bonus scheme asking that the scheme remain unchanged, to help the Council recover the extra costs in providing services to new communities, ensuring future growth is sustainable. The Government decided in December 2016 to reduce the value of New Homes Bonus funding.

We said we would seek the best devolution settlement with Government, in partnership with other Cambridgeshire councils, the Greater Cambridge Greater Peterborough Enterprise Partnership and others.

During the year we worked in partnership to achieve the best possible devolution settlement for Cambridge and Cambridgeshire, with the Government. The Council and its partners agreed to the establishment of a Combined Authority and work continued in the year to finalise arrangements and implement this decision. Mayoral elections took place in May 2017.

We said we would explore opportunities to develop further the Council's investment strategy in property, housing, energy efficiency and renewable energy projects.

During the year we continued to deliver, as part of our Carbon Management Plan, an on-going programme to improve energy efficiency and reduce carbon emissions in our estate. We carried out a comprehensive Private Sector House Condition Survey and will continue to support private landlords to deliver good standard, energy efficient housing, and to use enforcement to tackle those who do not.

600 households took up energy efficiency measures through Action on Energy scheme

7 Tackle climate change, and making Cambridge cleaner and greener

We said we would implement the actions in our Climate Change Strategy, reducing emissions from our own estate and our property portfolio.

During the year we replaced lighting at the Grand Arcade and Grafton East car parks with low energy LED lighting and motion controls. This is expected to reduce electricity consumption by over 40%, reducing the council's carbon emissions by approximately 280 tonnes of carbon every year. We also purchased electricity for our buildings through a green energy tariff which comes from 100% renewable sources, developed a Sustainable Housing Guide and worked with partners in the Cambridge Sustainable Food network to achieve Sustainable Food City status for Cambridge.

During the year:

280 tonnes of carbon a year was saved by when we installed efficient lighting at two of our car parks

100% of the electricity used in our buildings was from renewable sources

£426,000 of funding won for providing electric vehicle charging points for taxis

We said we would work with residents, businesses and other organisations to reduce emissions in the city; including working with coach, bus and taxi operators to reduce vehicle emissions harmful to public health.

During the year we prepared for a transition to a low-emission taxi fleet to ensure that over the next 10 years all Cambridge licenced taxis and private hire vehicles will become either Electric or Hybrid powered when their licenses are renewed. Alongside this a successful bid was made to central government for £426,000 to provide an electric vehicle charging infrastructure for taxis.

We said we would adapt further to the impacts of climate change to increase the city's ability to cope with extreme weather, particularly for the most vulnerable.

During the year we worked with other local authorities to inform the next National Adaptation Programme (NAP), with a particular focus on the built environment. The Council's new tree strategy was completed and we started to gather information for residents on how to reduce health risks during heat waves to prevent over-heating.

We said we would work with local residents and businesses with the aim of increasing waste recycling rates and reduce total waste generated per capita.

During the year we collected just over 20,000 tonnes of materials for recycling from the blue and green bins and recycling points across the city. Some 55 tonnes of bulky rubbish was also collected at community clear-up days and we continued to promote recycling for local people through campaigns such as "Love Food – Hate Waste".

20,000 tonnes of recycling materials collected

We said we would provide high quality Green Infrastructure (GI) that enhances residents' quality of life.

During the year we continued to apply the Council's policies in respect of open space and recreation facilities to ensure new provision and the protection of existing green infrastructure. Large scale open spaces are currently being delivered on urban extensions.

We said we would ensure that new developments meet the council's policies for sustainable construction and energy and water efficiency.

During the year we continued to apply the Council's policies and supplementary planning document on sustainable construction and energy and water efficiency. Developments have been built to Code for Sustainable Homes Levels 4 – 5 and BREEAM. Bespoke sustainability frameworks have also been developed for University of Cambridge sites and Phase 2 of the Cambridge Biomedical Campus.

We said we would ensure that new developments provide the open space and recreational facilities that residents need.

During the year the Trumpington Meadows country park opened and other open space areas within Trumpington Meadows and Clay Farm were set out. At the North West Cambridge (University) development substantial progress was made on the western edge with the strategic open space area. A range of open space areas and allotments were also laid out on the Bell School (Nine Wells) development, which will be transferred to the Council in due course.

We said we would implement and develop the shared waste service with South Cambridgeshire DC.

During the year, as the shared waste service was put in place, bin rounds changed for 80% of residents to take into account the removal of demarcation boundaries restricting refuse vehicle movements between the local authorities. As a result refuse vehicles started to drive fewer miles on collection rounds, which may result in substantial savings in the future.

We said we would improve the general cleanliness of streets and open spaces, with greater public input on cleaning and enforcement decisions to target Cambridge's most challenging locations.

During the year we committee to purchase six new mobile CCTV units for use in Cambridge. The new cameras are lighter, easier to maintain, have better transmission and picture quality and can be quickly deployed to "hotspots" in the City. The Council's Safer Communities team will handle requests for use of these cameras. We also undertook an audit of our public space CCTV, which will be used to secure capital investment to upgrade the existing camera stock and associated network connectivity.

We said we would review and improve cleanliness of streets and public open spaces and provide greater opportunities for the public to influence decisions on cleansing and enforcement in order to target Cambridge's most challenging locations.

During the year we continued to present Environmental Reports to our area committees to allow residents to tell us about their priorities for improving the cleanliness of their streets and open spaces and for us to act on these. We also completed a review of this service and will be proposing further actions to improve cleanliness. In the year we removed 44 abandoned cars and 30 untaxed vehicles from the 459 cases that we investigated. Waste was collected from over 900 litter bins and more than 200 dog fouling bins across the city. We routinely maintained over 1million square metres of grass on parks and open spaces.

44 abandoned cars were removed

900 litter bins were emptied by us in our parks and open spaces

1,000,000 m^2 of grass on parks and open spaces regularly maintained

We said we would work with the police to identify the small number of people responsible for repeat graffiti around the city, and tackle this costly anti-social behaviour.

During the year we investigated and responded to 900 incidents of graffiti and 2130 incidents of fly-tipping. We helped to identify hot spots and gave “profiles” of regular graffiti artists to the Police to help identify the small number of people responsible for repeat graffiti around the City. We also arranged remedial work for offenders to help reinstate the environment to its previous condition.

900 incidents of graffiti were responded to

2,130 incidents of fly-tipping were responded to

Review of Financial Performance 2016/17

Revenue Spending and Income

General Fund Services

For 2016/17, the Council agreed a budget for net spending by committees of £20.1 million. The Council Tax for City Council services was set at £181.75 for Band D properties. The outturn figures, as reported to members, do not reflect a number of statutory accounting adjustments made at the year end or the presentational requirements of the Code of Practice. These accounting adjustments do not impact on the level of General Fund Reserves.

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

(£000s)	Final Budget	Actual	Difference
Communities	7,378	7,228	(150)
Streets and Open Spaces	6,213	6,187	(26)
Environmental Services and City Centre	4,339	4,511	172
Planning, Policy and Transport	(621)	(933)	(312)
General Fund Housing	3,348	3,195	(153)
Finance and Resources	(5,288)	(5,943)	(655)
Strategy and Transformation	4,706	3,800	(906)
Total Portfolio Expenditure	**20,075**	**18,045**	**(2,030)**
Capital accounting adjustments	(6,155)	(6,154)	1
Capital Plan Expenditure Funded from General Fund Reserves	1,787	2,254	467
Contribution to NNDR earmarked reserve – recovery of deficit in future years	0	375	375
Total	**15,707**	**14,520**	**(1,187)**
Financed by:			
Revenue Support Grant	(1,954)	(1,954)	0
New Homes Bonus	(6,332)	(6,332)	0
Non-domestic rates share - net income	(4,260)	(5,674)	(1,414)
Non-domestic rates reliefs - compensatory government grants	(449)	(337)	112
Other grants	0	(60)	(60)
Council Tax	(7,352)	(7,352)	0
Net contributions to/(from) earmarked reserves – before year end accounting adjustments	7,943	7,789	(154)
Contributions to/(from) General Fund Reserves	(3,303)	(600)	2,703
Total	**(15,707)**	**(14,520)**	**1,187**

The Council's actual net portfolio revenue expenditure was £2,030,000 less than the final budget set for the year. A variety of factors contributed to this overall position including overachievement of income on car parks, commercial property and bereavement services totalling around £600,000, and an underspend on staff costs (net of agency costs) of around £700,000.

Under statutory regulation the amount of business rates credited to the General Fund in 2016/17 is based on an estimate, with any resulting difference being recovered from the General Fund, or paid to it in future years. Taking into account the levy payment due to central government for the year on growth above the assumed baseline, the charge for recovery of previous years' deficits and business rate relief compensatory grants from central government, the income credited to the General Fund was £1,302,000 above the budget. However, £375,000 will be paid back to the Collection Fund in future years and this has been set aside in an earmarked reserve. £575,000 of the overachievement of business rates income was in respect of money earned by the city under the Cambridgeshire growth pilot.

Overall, a net contribution from General Fund reserves of £600,000 was made against a budgeted use of reserves of £3,303,000. At the 31 March 2017 the reserve stood at £15,412,000.

As noted above the outturn presentation differs from that required by the Code for the Statement of Accounts. The following table reconciles the difference between the total spend as reported at outturn with the amount chargeable to the General Fund as presented in the Expenditure and Funding Analysis:

(£000s)	
General Fund Net Portfolio Expenditure as reported at Outturn	**18,045**
Less depreciation	(6,154)
Net income reported below net cost of service in the statement of accounts (includes, property income, interest income and expense)	7,830
Portfolio grants reported below net cost of service	428
Capital plan expenditure reclassified as revenue in the statement of accounts	895
Other	(278)
Amount chargeable to the General Fund under statute as reported in the Expenditure and Funding Analysis	**20,766**

Housing Revenue Account

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Scrutiny Committee in June 2017, with the final budget for 2016/17.

(£000s)	Final Budget	Actual	Difference
Dwellings Rents and Other Income	(40,882)	(41,295)	(413)
Expenditure	25,934	24,203	(1,731)
Net cost of HRA services	**(14,948)**	**(17,092)**	**(2,144)**
Interest receivable on HRA balances	(354)	(490)	(136)
Loan Interest	7,523	7,503	(20)
Depreciation adjustment (transfer from Major Repairs Reserve)	(1,457)	(1,013)	444
Revaluation loss on non-dwelling assets	0	135	135
Direct Revenue Financing of Capital	10,758	10,569	(189)
Contributions from HRA earmarked reserves to General HRA reserves – before statutory adjustments	0	0	0
(Surplus)/deficit for the year	**1,522**	**(388)**	**(1,910)**

The variance on the depreciation adjustment of £444,000 compensated for a reduced depreciation charge included in the expenditure line, recognising that fewer properties were depreciated than anticipated following delays in the new build delivery programme.

Income was over-achieved, which was predominantly due to contractual compensation received for lost rent, as a result of delays in delivery of some of the new build programme.

There was a significant underspend in repairs and maintenance, a large proportion of which resulted from the planned maintenance and gas servicing programme, with the latter being due to savings delivered by a new servicing and maintenance contract.

Employee related costs were lower across the HRA than budgeted, due to vacancies being held pending service restructures, and the HRA's contribution to corporate change projects was less than anticipated in 2016/17.

There was an underspend on direct revenue funding of capital of £189,000, all of which has been rephased into 2017/18. Overall the outturn position was a contribution to HRA reserves of £388,000 against a budget that assumed a contribution from reserves of £1,522,000. HRA reserves stood at £10,179,000 at 31 March 2017.

The net cost of HRA services as reported at outturn of £17,092,000 differs from that reported in the Expenditure and Funding Analysis of £16,840,000 due to the differing treatments of movements in HRA earmarked reserves, non-dwelling revaluation losses and investment property income.

Earmarked Reserves

There was an overall increase in General Fund earmarked reserves of £6,184,000 in 2016/17. This reflected a number of factors including a net contribution of £2,582,000 to support the transformation of the Council's office accommodation and contributions of £3,166,000 and £1,000,000 respectively to the City Deal and Invest for Income earmarked reserves.

There was an overall increase in HRA earmarked reserves of £275,000.

Capital Spending and Receipts

In 2016/17 the Council spent £29,278,000 on property, plant and equipment. Of this £7,533,000 was on major repairs and improvements to council dwellings, £1,154,000 on vehicles, plant and equipment and £19,053,000 on assets in the course of construction. Of the assets in the construction spend £12,719,000 was on new housing developments. £13,451,000 was transferred from assets in the course of construction to HRA dwellings on completion of new homes, including on sites at Homerton, Colville Road and Aylesborough Close.

Expenditure on assets in the course of construction also included £2,891,000 on the new multi-agency community centre the Council is constructing at Clay Farm and £1,069,000 on homes constructed to be let at intermediate market rents at Aylesborough Close and Water Lane, which are being managed by Cambridge City Housing Company, a wholly owned subsidiary of the Council. £6,355,000 of expenditure on these properties was transferred from Assets Under Construction to Assets Held for Sale and then disposed of to the company on assignment of the build contracts during 2016/17.

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £18,006,000 in the year of which £6,355,000 was in relation to the disposal of properties to Cambridge City Housing Company. £1,534,000 of housing receipts had to be paid over to central government.

The Council also reached agreement to vacate Hobson House during 2016/17 and will receive a share of proceeds on the eventual redevelopment of the building. It expects to continue to occupy the premises under a short term lease until March 2018, when the refurbishment of Mandela House will be completed.

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

Assets

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. As a result of asset revaluations and the capital expenditure discussed above (and net of asset disposals) the value of Property, Plant and Equipment decreased by £1,771,000 to £771,034,000 and the value of Investment Property increased by £9,432,000 to £153,706,000 as at 31 March 2017. Although these movements appear significant, it should be noted that revaluation increases and decreases are not realised until assets are disposed of.

Liabilities

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

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £114.0 million at 31 March 2017. This liability has no impact on the level of the Council's available reserves.

The net liability has increased this year by £7.3 million. This net figure reflects a number of factors including a reduction in the discount rate used by the actuary to estimate the Council's scheme liabilities which increased the liabilities by £46.0 million and a higher than expected return on plan assets which increased the Council's share of Fund assets by £32.4 million. Further information on this change and relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented in note 37.

Cashflows

The balance of cash and cash equivalents at 31 March 2017 was £15,015,000. This excludes the Council's investments in fixed term deposits and other longer term investments which are detailed in note 23. Further information on cashflows for the year can be found in the cashflow statement and accompanying notes.

Council Staff

The number of staff employed by the Council fell during the year from 800 full time equivalents at 31 March 2016 to 725 at 31 March 2017. This net reduction reflects the transfer of staff to South Cambridgeshire District Council as part of the shared waste service.

Group Performance

As noted above the Council is presenting Group accounts for the first time this year. Cambridge City Housing Company (which is 100% owned by the Council) commenced trading in May 2016 and rents a portfolio of 23 homes at intermediate market rent. There were delays in the handover of the properties from the developer which impacted on the revenues earned in 2016/17, but the majority of the properties are now let.

The Group accounts show the consolidated performance of the company and the Council, eliminating transactions between the two.

Looking ahead to 2017/18

The new community centre at Clay Farm is expected to open later this year, following delays in the construction.

The Council added to its investment property portfolio with two further properties in Huntingdon and Peterborough being purchased in April 2017, and these are expected to generate significant additional revenues in 2017/18.

The Council will continue to develop and explore further sharing of services with South Cambridgeshire District Council. Work will continue on readying premises in Cowley Road to facilitate the plan to vacate the Mill Road depot site, in addition to works to other office accommodation.

The Council is well placed to deal with the challenges of reduced central government funding, including the phasing out of Revenue Support Grant and changes to New Homes Bonus, but there will continue to be financial pressures. The surprise announcement of a General Election in June

2017 has increased uncertainty around the proposed move to 100% business rates retention, but the Council will continue to work to understand the implications and the risks that this will bring in the future.

Further Information

Further information about the accounts is available from:

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

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

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

- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;

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

- complied with the Code of Practice.

The chief financial officer has also:

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

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

Opinion

I certify that the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2017 and its income and expenditure for the year then ended.

Caroline Ryba
Head of Finance
Date: 26 May 2017

Scope of Responsibility

Cambridge City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include the arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance which is publicised on the Council website. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement of internal control. It is subject to review by the Civic Affairs Committee when they consider both the draft and final Statement of Account and is approved by Civic Affairs Committee in advance of them agreeing the Statement of Accounts.

The Councils financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer (Head of Finance):

- Is actively involved and is able to bring influence on the Councils financial strategy;
- Leads the Council in the delivery of good financial management;
- Directs a fit for purpose finance function; and
- Is professionally qualified and suitably experienced.

In addition, the Head of Finance (designated Section 151 Officer) attends the Senior Leadership Team for any item they feel requires Section 151 Officer input. All statutory officers have regular 1:1 sessions with the Chief Executive.

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2017 / 2018 to address these issues will be reported regularly to Civic Affairs Committee with an assessment made in reducing the risk as part of their governance role within the Council.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Governance Framework

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

- The Council's Objectives, which focus the Council's efforts in achieving the vision for Cambridge.
- The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.
- The Annual Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.
- The annual budget and service planning process which translates the Council's Objectives into actions at portfolio[1] and operational level.
- The Council's Medium Term Financial Strategy, which identifies how the Council will resource its aspirations and plans for any financial risks.
- The Budget Setting Report, which sets out the Council's overall spending plans for both revenue and capital expenditure.
- The Treasury Management Strategy and an Annual Treasury Report which reviews treasury management activities during the year and complies with the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- The arrangements for regular budget monitoring and reporting of significant variances to senior management.
- An independent Internal Audit function with a risk-based audit plan.

- An annual opinion of the Head of Internal Audit on the authority's internal control environment and risk management framework.
- The Council's Constitution, which sets out the decision-making process, the terms of reference for each committee and the roles and responsibilities of Members and officers.
- The Member / Officer protocol, which aids effective communication between officers and Members and clarifies their respective roles and responsibilities.
- Codes of Conduct for Members and officers, which have been formally approved and are reviewed regularly and available to all Members and staff.
- The Council's Civic Affairs Committee, which promotes and maintains high standards of conduct by Members and which has overall responsibility for the Council's compliance with laws and regulations.
- The role of the Council's Civic Affairs Committee, which fulfils the core functions of an Audit Committee as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.
- The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed regularly by the Council's Civic Affairs Committee.
- A Register of Interests, which is maintained and reviewed regularly.
- Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and officers.
- A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.
- The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.
- The Chief Executive is the Council's Head of Paid Service and the Head of Legal Services is the Council's Monitoring Officer. Their roles and responsibilities are set out in the Council's Articles of the Constitution.
- A 'Whistleblowing' Policy, which is in place and available on the Council's intranet.
- The Council's Complaints Procedure, which is available on the Council's website and the Independent Complaints Investigator who can investigate how the Council has dealt with its complaints.
- The annual complaints report to Civic Affairs Committee, which analyses trends in complaints against the Council and what has been done to address them.
- Member Induction training and a guide for new Members, together with ongoing training for Members on key skills and more in-depth explanations of issues concerning the Council.

- The Council's Performance Review process which is undertaken annually across the Council for all staff.
- The Council's Competency Framework, which is in place for all staff and managers.
- The Media Protocol, which sets out the processes for drafting and clearing news releases and engaging with the media.
- The Programme Office, which commissions and monitors projects to implement change and transformation.
- The Council's consultations and surveys, including the budget consultation, which are undertaken periodically to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.
- The Code of Corporate Governance, which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.
- A framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.
- Governance arrangements for shared services are documented in shared service collaboration agreements.
- The corporate website, residents' magazine and social media channels, which along with other publications and communications provide for informing and engaging residents and other stakeholders in service delivery and policy formulation.
- A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.
- Internal quarterly performance reporting against key performance indicators for each service prepared for and presented to the strategic leadership team to consider necessary remedial action.

Review of Effectiveness

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

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

Individual Internal Audit reports are issued directly to the Chief Executive, the relevant Strategic Director, the Council's Monitoring Officer, the Head of Finance (s151 Officer), the Leader of the

Council and the relevant Executive Councillor. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into the Council's Risk Register and progress on their implementation is reported to and monitored by the Chief Executive and the Strategic Leadership Team. Implementation rates of agreed actions are also reported to Civic Affairs.

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

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

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

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

Action Plan to Address Significant Governance Issues

Please note that the actions included in this action plan are to address both significant governance issues that have arisen during 2016/17, but also forward looking matters identified for 2017/18.

1 Project Delivery Arrangements

The Council is undertaking a wide range of complex and diverse projects across the authority both within individual service areas and as part of the Business Transformation Programme including the redevelopment of Park Street Car Park, the Digital Transformation Strategy and the Council House Building Programme.

There are a number of key risks associated with the delivery of any major project and it is important that the Council has sound governance arrangements in place to ensure that all projects are delivered successfully to time and budget.

Action
[Target date & Officer Responsible]

- Robust project management will be employed across all programmes with regular monitoring and reported through to each Board.

- Close control will be in place for finance to ensure there is no project creep.

  David Edwards, Strategic Director
  Ongoing

2 Financial Management System

The Council is in the process of implementing its new Financial Management System (FMS), Tech 1, which is due to be fully implemented by 1 October 2017.

The Financial Management System is a key corporate system that underpins the whole of the Council's financial control arrangements and it is therefore imperative that there is a robust process for implementing the new system. Internal Audit have been heavily involved in reviewing the arrangements for implementing the new FMS, including project management arrangements, ensuring that appropriate controls are built into new processes and advising the project board on any concerns arising. This work will continue into 2017/18 to help ensure the successful implementation of the new system.

Action
[Target date & Officer Responsible]

- Internal Audit to continue their involvement in the implementation of the new FMS to ensure:

  - the robustness of the data migration process;
  - that interfaces with other key systems are thoroughly tested; and
  - that system and user acceptance testing is robust.

  Further time has been allocated in this year's audit plan for this purpose.

  Head of Internal Audit

1 October 2017

3 Procurement

Internal Audit involvement in a number of procurement exercises during 2016-17 has highlighted a lack of awareness and understanding of the new Public Contract Regulations (2015). Weaknesses were also identified in a recent audit of tender evaluation processes in some areas of the Council.

The need to raise awareness of the above has been recognised and is being addressed through a series of training sessions to accompany the introduction of a new e-tendering system/contracts register.

Action

[Target date & Officer Responsible]

- Complete the programme of training sessions on the new e-tendering package and extend the programme if required.

  Head of Commercial Services
  31 December 2017

- Review tender evaluation reporting procedures to ensure they are fit for purpose.

  Head of Commercial Services in conjunction with the Head of Internal Audit
  31 December 2017

4 Shared Services

Continuing changes to service delivery arrangements needs to backed up by appropriate and robust governance arrangements. Ongoing reviews are required as to the effectiveness and deliver of each service area.

Action

[Target date & Officer Responsible]

- RAG rating reports to be produced providing an overview of each shared service, covering performance, service delivery, financial monitoring, and improvements.

  Programme Office
  31 March 2018

5 Cyber Security

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

The risk of a cyber-attack is a very real one and all organisations, including those in the public sector, should consider cyber security as an organisational risk. To mitigate against this risk, it is essential to raise awareness and commit to implementing a cyber-security, risk adverse culture.

Action
[Target date & Officer Responsible]

- Regular system monitoring and reports to all Councils on threats and actions to mitigate.

  3C ICT
  Ongoing

6 Fraud, Corruption and Serious Organised Crime

Pilot studies have been undertaken in a number of regions which has resulted in a best practice check list being established to ensure that local authorities have sound and robust procedures to reduce the threat of SOC impacting on Council activities

Action
[Target date & Officer Responsible]

- Internal Audit to liaise with Police and other Councils to ensure that appropriate arrangements have been developed.

  Head of Internal Audit
  31 March 2018

7 Combined Authority

Appropriate governance arrangements are in place to ensure that Cambridge City Council and its stakeholders interests are protected through the work of the Combined Authority

Action
[Target date & Officer Responsible]

8 Loss of Key Staff

Ongoing uncertainty as shared services move forward has seen the loss of a number of officers at middle management

Action
[Target date & Officer Responsible]

- The Council will look to develop appropriate plans to reduce the levels of uncertainty and improve on the speed and delivery of change.

  Strategic Leadership Team
  31 March 2018

Councillor Lewis Herbert
Leader of the Council
Date:

Antoinette Jackson
Chief Executive
Date:

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 2016/17

(£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 2016	**(16,012)**	**(17,787)**	**(9,791)**	**(3,966)**	**(23,951)**	**(3,268)**	**(8,200)**	**(82,975)**	**(597,596)**	**(680,571)**
Movement in reserves during 2016/17										
(Surplus) / deficit on the provision of services	(5,503)	0	(8,475)	0	0	0	0	(13,978)	0	(13,978)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(1,887)	(1,887)
Total Comprehensive income and expenditure	**(5,503)**	**0**	**(8,475)**	**0**	**0**	**0**	**0**	**(13,978)**	**(1,887)**	**(15,865)**
Adjustments between accounting basis and funding basis under regulations (Note 4)	(81)	0	7,812	0	(8,342)	(2,281)	3,969	1,077	(1,077)	0
Net (increase) / decrease before transfers to earmarked reserves	**(5,584)**	**0**	**(663)**	**0**	**(8,342)**	**(2,281)**	**3,969**	**(12,901)**	**(2,964)**	**(15,865)**
Transfers to / from earmarked reserves (Note 5)	6,184	(6,184)	275	(275)	0	0	0	0	0	0
(Increase) / decrease in 2016/17	**600**	**(6,184)**	**(388)**	**(275)**	**(8,342)**	**(2,281)**	**3,969**	**(12,901)**	**(2,964)**	**(15,865)**
Balance at 31 March 2017	**(15,412)**	**(23,971)**	**(10,179)**	**(4,241)**	**(32,293)**	**(5,549)**	**(4,231)**	**(95,876)**	**(600,560)**	**(696,436)**

Financial Year 2015/16

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

Expenditure and Funding Analysis

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

(£000s)	2016/17			2015/16		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement
Communities	5,368	2,369	7,737	5,283	2,452	7,735
Streets and Open Spaces	5,310	1,006	6,316	5,413	1,149	6,562
Environmental Services and City Centre	4,097	559	4,656	3,738	642	4,380
Planning, Policy and Transport	(2,845)	2,736	(109)	(2,735)	3,445	710
General Fund Housing	3,399	762	4,161	3,469	557	4,026
Housing Revenue Account	(16,840)	9,216	(7,624)	(26,422)	465	(25,957)
Finance and Resources	1,332	1,464	2,796	704	(143)	561
Strategy and Transformation	4,105	172	4,277	3,103	(1,120)	1,983
Net Cost of Services	**3,926**	**18,284**	**22,210**	**(7,447)**	**7,447**	**0**
Other Income and Expenditure	(10,173)	(26,015)	(36,188)	16,318	(54,964)	(38,646)
Surplus or Deficit	**(6,247)**	**(7,731)**	**(13,978)**	**8,871**	**(47,517)**	**(38,646)**
Opening General Fund and HRA Balance	**(47,556)**			**(56,427)**		
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(6,247)			8,871		
Closing General Fund and HRA Balance at 31 March*	**(53,803)**			**(47,556)**		

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

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	2016/17			2015/16 (as restated - Note 43)		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Communities		8,325	(588)	7,737	8,338	(603)	7,735
Streets and Open Spaces		9,506	(3,190)	6,316	9,238	(2,676)	6,562
Environmental Services and City Centre		7,357	(2,701)	4,656	9,651	(5,271)	4,380
Planning, Policy and Transport	3	13,704	(13,813)	(109)	13,623	(12,913)	710
General Fund Housing		5,746	(1,585)	4,161	5,662	(1,636)	4,026
Housing Revenue Account	3	33,665	(41,289)	(7,624)	15,308	(41,265)	(25,957)
Finance and Resources		42,374	(39,578)	2,796	41,413	(40,852)	561
Strategy and Transformation		4,568	(291)	4,277	2,112	(129)	1,983
Cost of Services		**125,245**	**(103,035)**	**22,210**	**105,345**	**(105,345)**	**0**
Other operating expenditure	6	1,251	(6,084)	(4,833)	(227)	(3,113)	(3,340)
Financing and investment income and expenditure	3/7	14,220	(22,009)	(7,789)	14,061	(24,161)	(10,100)
Taxation and non-specific grant income	3/8	0	(23,566)	(23,566)	0	(25,206)	(25,206)
(Surplus) / deficit on provision of services	**10**	**140,716**	**(154,694)**	**(13,978)**	**119,179**	**(157,825)**	**(38,646)**
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	3/33			(5,632)			(49,069)
Remeasurements of the net defined benefit liability	3/33			3,293			(22,821)
				(2,339)			**(71,890)**
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				**452**			**(568)**
Other comprehensive (income) / expenditure				**(1,887)**			**(72,458)**
Total comprehensive (income) / expenditure				**(15,865)**			**(111,104)**

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 2017	31 March 2016
Property, Plant and Equipment	15	771,034	772,805
Heritage Assets		580	580
Investment Property	20/21	153,706	144,274
Intangible Assets		203	292
Long Term Investments	23	32,085	32,050
Long Term Debtors	24	3,984	1,270
Long Term Assets		**961,592**	**951,271**
Short Term Investments	23	71,158	56,801
Assets Held for Sale	25	4,643	4,295
Inventories		186	260
Short Term Debtors	26	7,177	13,270
Cash and Cash Equivalents	27	15,015	9,186
Current Assets		**98,179**	**83,812**
Short Term Borrowing	35/36	(82)	(82)
Short Term Creditors	28	(18,992)	(17,894)
Receipts in Advance	29	(4,312)	(3,713)
Provisions	30	(4,172)	(4,711)
Current Liabilities		**(27,558)**	**(26,400)**
Long Term Borrowing	35/36	(213,572)	(213,572)
Other Long Term Liabilities	37	(114,032)	(106,762)
Capital Grants Receipts in Advance	31	(8,173)	(7,778)
Long Term Liabilities		**(335,777)**	**(328,112)**
Net Assets		**696,436**	**680,571**
Usable Reserves	32	(95,876)	(82,975)
Unusable Reserves	33	(600,560)	(597,596)
Total Reserves		**(696,436)**	**(680,571)**

These unaudited financial statements were authorised for issue on 26 May 2017.

Caroline Ryba, Head of Finance

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting date. 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 Councils 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	2016/17	2015/16
Cash flows from operating activities			
Cash receipts		176,336	158,481
Cash payments		(151,496)	(139,124)
Net cash flows from operating activities	**38**	**24,840**	**19,357**
Net cash flows from investing activities	**39**	**(21,191)**	**(22,516)**
Net cash flows from financing activities	**40**	**2,180**	**5,077**
Net (decrease) / increase in cash and cash equivalents		**5,829**	**1,918**
Cash and cash equivalents at the beginning of the year	**27**	9,186	7,268
Cash and cash equivalents at the end of the year	**27**	**15,015**	**9,186**

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 95 to 112, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

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

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The net pension liability at 31 March 2017 is estimated to be £114.0 million and the estimated effects on the liability of changes in individual assumptions is disclosed in Note 37.

Property, Plant and Equipment

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

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall. It is estimated that the annual depreciation charge for assets would increase by approximately £950,000 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 2017 following successful rating valuation appeals. The Council's share of this provision is £3.7 million as disclosed in Note 30. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made on historical experience.

Fair Value Measurements

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

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

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

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

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

Material Items of Income and Expenditure

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

A charge for revaluation losses of £8.7 million on council housing stock has been charged to expenditure within the Housing Revenue Account net cost of service line. The comparative figure for 2015/16 includes a net credit of £9.3 million. More detail on the movements in the value of the Council's housing stock can be found in note 15 to the main financial statements.

A net credit for reversal of previous revaluation losses of £1.0 million in respect of car parks has been credited to expenditure within the Planning, Policy and Transport net cost of service line. 2015/16 included a net credit for reversal of previous revaluation losses of £2.1 million.

Financing and investment income includes gains on the value of investment properties of £10.3 million (£13.4 million in 2015/16).

The Council's share of non-domestic rates income totalling £39.1 million (£37.3 million in 2015/16) and the tariff of £33.8 million (£33.5 million in 2015/16) 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 £3.3 million loss (£30.2 million gain in 2015/16) in respect of the Council's housing stock.

There is a total charge for remeasurements of the Council's net defined benefit pension liability of £3.3 million (a credit in 2015/16 of £22.8 million). This net figure reflects a number of aspects as detailed in note 37 to the accounts. Most significantly, there is a charge of £46.0 million (credit of £28.7 million in respect of 2015/16) reflecting a change in the financial assumptions used by the actuary to estimate the pension liability and a credit of £32.5 million (a charge of £7.3 million in 2015/16) in respect of remeasurements of the return on assets.

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

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

General Fund Balance

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

Housing Revenue Account (HRA) Balance

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

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 2016/17

(£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	(6,061)	(9,279)	0	0	0	15,340
Net revaluation (losses)/gains on property, plant and equipment	1,188	(8,680)	0	0	0	7,492
Net revaluation (losses)/gains on assets held for sale	283	0	0	0	0	(283)
Movements in the market value of investment properties	10,128	133	0	0	0	(10,261)
Amortisation of intangible assets	(84)	(5)	0	0	0	89
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(3,923)	(514)	0	0	0	4,437
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(9,254)	(5,642)	0	0	0	14,896
Private Sector Housing Loans Adjustment	0	0	0	0	0	0
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	(18)	0	0	0	0	18
Capital expenditure charged against General Fund and HRA balances	2,331	10,569	0	0	0	(12,900)

(£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	656	1,095	0	0	(1,751)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	5,720	(5,720)
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	6,379	11,627	(18,006)	0	0	0
Other capital receipts	0	412	(412)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(168)	168	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	12,347	0	0	(12,347)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,534)	0	1,534	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(24)	0	0	24
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(3,949)	0	0	3,949
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	2,705	0	0	0	0	(2,705)
Adjustments primarily involving the Major Repairs Reserve:						
Transfer allowed by statute between the HRA and Major Repairs Reserve	0	8,271	0	(8,271)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	5,990	0	(5,990)

(£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	15	0	0	0	0	(15)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,123)	(1,277)	0	0	0	10,400
Employer's pension contributions and direct payments to pensioners payable in the year	5,162	1,261	0	0	0	(6,423)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,078	0	0	0	0	(1,078)
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	0	0	0	0	0	0
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(9)	9	0	0	0	0
Total adjustments	**(81)**	**7,812**	**(8,342)**	**(2,281)**	**3,969**	**(1,077)**

Financial year 2015/16

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

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

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

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 2016/17.

(£000s)	2015/16				2016/17		Balance at 31 March 2017
	Balance at 1 April 2015	Transfers In	Transfers Out	Balance at 31 March 2016	Transfers In	Transfers Out	
General Fund:							
Asset Repair and Renewals Reserves	(14,364)	(1,265)	12,936	(2,693)	(1,359)	437	(3,615)
Insurance Fund	(897)	(755)	635	(1,017)	(902)	846	(1,073)
Technology Investment Fund	(129)	0	0	(129)	0	3	(126)
Development Plan Reserve	(551)	0	296	(255)	(31)	142	(144)
Compulsory Purchase Order Compensation Reserve	(222)	0	222	0	0	0	0
Major Planning Appeals Reserve	(161)	0	161	0	0	0	0
Revenue Contributions to Capital	(118)	0	115	(3)	0	0	(3)
Efficiency Fund	(217)	0	81	(136)	0	136	0
Pension Reserve	(986)	0	986	0	0	0	0
Climate Change Fund	(347)	0	0	(347)	(120)	330	(137)
Keep Cambridge Moving	(436)	0	436	0	0	0	0
Business Rates Retention	(4,440)	(498)	3,169	(1,769)	(375)	1,401	(743)
Fixed Term Priority Projects	(286)	0	135	(151)	0	0	(151)
Sharing Prosperity	(493)	(325)	193	(625)	(300)	349	(576)
Invest for Income Fund	0	(6,500)	0	(6,500)	(1,000)	0	(7,500)
City Deal Fund	0	(1,985)	0	(1,985)	(3,166)	0	(5,151)
Office accommodation strategy	0	0	0	0	(3,007)	425	(2,582)
Other	(2,220)	(721)	764	(2,177)	(582)	589	(2,170)
Total	**(25,867)**	**(12,049)**	**20,129**	**(17,787)**	**(10,842)**	**4,658**	**(23,971)**
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(1,829)	(285)	83	(2,031)	(275)	54	(2,252)
Shared Ownership Reserve	(300)	0	300	0	0	0	0
Other	(2,041)	(14)	120	(1,935)	(66)	12	(1,989)
Total	**(4,170)**	**(299)**	**503**	**(3,966)**	**(341)**	**66**	**(4,241)**

6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2016/17		2015/16	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	1,534	0	857
Impairment losses on assets held for sale	0	(283)	0	(1,084)
(Gains) / losses on the disposal of non-current assets	(5,672)	0	(3,034)	0
Other income	(412)	0	(79)	0
	(6,084)	**1,251**	**(3,113)**	**(227)**

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

(£000s)	2016/17		2015/16	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,498	0	7,534
Impairment of investments	0	11	0	(107)
Net interest on the net defined benefit liability	0	3,768	0	3,997
Trading Activities	(1,373)	1,354	(1,100)	1,035
Interest receivable and similar income	(1,429)	0	(1,376)	0
Income and expenditure in relation to investment properties and changes in their fair value	(19,207)	1,589	(21,685)	1,602
	(22,009)	**14,220**	**(24,161)**	**14,061**

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

(£000s)	2016/17	2015/16
Council tax income	(7,404)	(7,017)
Net council share of business rates income	(5,298)	(3,804)
Non-ringfenced government grants	(9,113)	(9,460)
Capital grants and contributions	(1,751)	(4,925)
	(23,566)	**(25,206)**

The business rates income retained by the Council under the business rates retention scheme of £5,298,000 (2015/16 - £3,804,000) comprises the Council's share of income of £39,121,000 (2015/16 - £37,348,000) less a tariff payment due to central government of £33,823,000 (2015/16 - £33,544,000).

9 Expenditure and Funding Analysis Adjustments

(£000s)	2016/2017			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
Adjustments from General fund to arrive at the Comprehensive Income and Expenditure Statement amounts				
Communities	2,381	(12)	0	2,369
Streets and Open Spaces	1,030	(24)	0	1,006
Environmental Services and City Centre	568	(9)	0	559
Planning, Policy and Transport	2,756	(20)	0	2,736
General Fund Housing	772	(12)	2	762
Housing Revenue Account	9,200	16	0	9,216
Finance and Resources	1,478	(14)	0	1,464
Strategy and Transformation	(112)	284	0	172
Net Cost of Services	**18,073**	**209**	**2**	**18,284**
Other income and expenditure from the Expenditure and Funding Analysis	**(28,687)**	**3,768**	**(1,096)**	**(26,015)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(10,614)**	**3,977**	**(1,094)**	**(7,731)**

(£000s)	2015/2016			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
Adjustments from General fund to arrive at the Comprehensive Income and Expenditure Statement amounts				
Communities	2,366	86	0	2,452
Streets and Open Spaces	979	170	0	1,149
Environmental Services and City Centre	459	187	(4)	642
Planning, Policy and Transport	3,297	148	0	3,445
General Fund Housing	460	87	10	557
Housing Revenue Account	258	207	0	465
Finance and Resources	(231)	88	0	(143)
Strategy and Transformation	(866)	(230)	(24)	(1,120)
Net Cost of Services	**6,722**	**743**	**(18)**	**7,447**
Other income and expenditure from the Expenditure and Funding Analysis	**(56,285)**	**4,029**	**(2,708)**	**(54,964)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(49,563)**	**4,772**	**(2,726)**	**(47,517)**

10 Expenditure and Income Analysed by Nature

(£000s)	2016/17	2015/16
Employee benefit expenses	35,640	37,517
Other service expenses	69,504	68,450
Support service recharges	0	0
Depreciation, amortisation and impairment	22,763	932
Interest Payments and investment income expenses	11,275	11,423
Payments to Housing Capital Receipts Pool	1,534	857
Total Expenditure	**140,716**	**119,179**
Fees, charges and other service income	(65,088)	(65,826)
Interest and investment income	(20,635)	(23,062)
Income from Council Tax	(7,404)	(7,017)
Income from non-domestic rates	(5,298)	(3,804)
Gain or loss on the disposal of non-current assets	(6,084)	(3,112)
Government grants, contributions and donations	(50,185)	(55,004)
Total Income	**(154,694)**	**(157,825)**
Surplus or Deficit on the Provision of Services	**(13,978)**	**(38,646)**

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

(£000s)	2016/17	2015/16
Communities	(401)	(419)
Streets and Open Spaces	(3,148)	(2,636)
Environmental Services and City Centre	(2,694)	(5,206)
Planning, Policy and Transport	(13,697)	(12,646)
General Fund Housing	(1,019)	(870)
Housing Revenue Account	(41,289)	(41,265)
Finance and Resources	(1,198)	(1,458)
Strategy and Transformation	(268)	(228)
Financing and Investment Income	(1,374)	(1,098)
Fees, charges and other service income	**(65,088)**	**(65,826)**

In addition to this external income, interest and investment income above includes rental income from the Council’s investment property portfolio of £8,946,000 (£8,266,000 in 2015/16).

11 Members' Allowances

The total allowances paid to members during the financial year 2016/17 were £287,585 (£247,154 in 2015/16) as analysed below. Details of payments to individual members are published annually in a local newspaper.

(£)	2016/17	2015/16
Basic allowance payments	175,204	116,842
Special responsibility payments	108,717	127,110
Childcare allowance	475	295
Travel and subsistence payments:		
Subsistence	46	111
Travel claims	544	270
Travel warrants	1,083	1,479
Taxi fares	670	201
Mileage claims	846	846
	287,585	**247,154**

Additional civic responsibility payments were made to the Mayor and Deputy Mayor outside of the Members Allowances Scheme. These totalled £5,546 (£5,810 in 2015/16).

12 Related Party Transactions

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

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

Voluntary Organisations

Members of the Council have direct control over the Council's financial and operating policies. During 2016/17 the Council gave grant funding and paid for projects and services totalling £133,942 (£165,923 in 2015/16) to voluntary organisations in which 3 (5 in 2015/16) members or their close family were in positions of influence. None (£2,950 in 2015/16) of these amounts were unpaid at the year end.

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

Cambridge Live

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

As disclosed in note 24, the Council has made a loan to the company for start-up costs. This totals £124,760 at 31 March 2017 (£124,760 at 31 March 2016) and is due to be repaid after March 2018. No interest is due on the repayment. The Council paid £372,570 to the company for services in 2016/17 (£506,170 in 2015/16), together with a s106 grant for artwork of £2,000 (£8,000 in 2015/16) and a further payment towards refurbishment works of £65,948 (£34,575 in 2015/16).

The Council has also recharged the company for its share of costs including utilities and has also paid for some services, but on the same basis as other customers of Cambridge Live. At the year-end short term creditors with Cambridge Live and its trading subsidiary were £33,600 (£50,711 at 31 March 2016). At the year-end short term debtors were £1,508.

Visit Cambridge and Beyond

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

The Council has paid over income due to VCB and recharged it for its share of costs, including utilities and rent for offices at the Guildhall which is determined on a commercial basis. At 31 March 2017 short term debtors were £2,450 (£9,847 in 2015/16) and short term creditors were £3,291 (£42,211 in 2015/16)

The Council paid the grant subsidy of £51,780 due to VCB in respect of 2016/17 in 2015/16.

Cambridge Investment Partnership LLP

The Council has a 50% stake in a limited liability partnership, Cambridge Investment Partnership (CIP) LLP, with Hill Investment Partnerships Limited, which was incorporated in December 2016. The partnership will redevelop land in the Cambridge area, including for affordable housing. There were no material transactions in the period to 31 March 2017.

Hill Investment Partnerships is part of the Hill group of companies. The Council paid £6,267,000 during 2016/17 (of which £277,000 was outstanding at the year end) to Hill Residential, another Hill Group company, in relation to building of affordable housing at Clay Farm. Another Hill group company is also a member of Colokate LLP, to whom the Council paid £2,301,000 during 2016/17 for affordable homes on the Homerton site. Both of these contracts were in place before the CIP was established.

Cambridge City Housing Company Limited

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

As detailed in Note 23 the Council made a loan to CCHC of £7,500,000 in 2016/17. Interest of £133,000 on the loan is included in Financing and Investment Income. This is included in short term creditors at the year end. As detailed in Note 25 the Council disposed of dwellings under construction to the company of £6,355,000 during the year.

Revenues of £14,000 on services provided by the Council to the company are included in the Comprehensive Income and Expenditure Statement and short term creditors at the year end.

The consolidated financial statements of the Council and the company have been presented in the Group Accounts.

Storey's Field Community Trust

Storey's Field Community Trust is a company limited by guarantee established by the University of Cambridge and Cambridge City Council to jointly manage and operate the new community centre currently under construction in North West Cambridge. The centre will not open until later this year so there are no material transactions in the period to 31 March 2017.

Shared services with other local authorities

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

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

Other related party transactions

As detailed in Note 13 Suzanne Hemingway commenced employment as a Strategic Director in August 2016. Prior to her employment she provided consultancy services to the Council through Heron Consulting Limited. The Council paid £2,200 during 2016/17 and there have been no transactions since taking up employment.

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:

	2016/17	2015/16
£50,000 to £54,999	4	2
£55,000 to £59,999	2	1
£60,000 to £64,999	3	2
£65,000 to £69,999	1	6
£70,000 to £74,999	8	5
£75,000 to £79,999	1	0
£80,000 to £84,999	0	0
£85,000 to £89,999	0	0
£90,000 to £94,999	0	3
£115,000 to £119,999	0	0
£120,000 to £124,999	1	1
Total	**20**	**20**

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

Financial year 2016/17

(£) Position / Name	Note	Salary	Honorarium	Redundancy	Pension Contribution	Total
Chief Executive (A Jackson)	1	123,728	0	0	21,529	145,257
Director of Environment (S Payne)	2	27,993	0	51,742	4,871	84,606
Director of Customer & Community Services (L Bisset)	3	2,630	0	0	458	3,088
Strategic Director (R Ward)	4	58,640	0	0	10,203	68,843
Strategic Director (S Hemingway)	5	53,243	0	0	9,264	62,507
Head of Corporate Strategy (A Limb)		72,385	0	0	12,595	84,980
Head of Finance (Section 151 Officer) (C Ryba)		72,385	0	0	12,595	84,980
Strategic Advisor (L Bissett)	6	38,085	0	0	6,627	44,712

Notes:

1. The Chief Executive received Election Payments of £6,844 in addition to the above.
2. The Director of Environment left the Council on 17 July 2016.
3. The Director of Customer & Community Services left the role on 10 April 2016
4. The Strategic Director (R Ward) left the Council on the 13 November 2016.
5. The Strategic Director (S Hemingway) commenced employment with the Council on 15 August 2016
6. The post of Strategic Advisor (part time 2 days per week) commenced on 11 April 2016.

The Council has paid agency fees of £78,570 for the services of a Strategic Director, David Edwards, for the period from November 2016 to March 2017.

The Council shares a Director of Economic Development and Planning with South Cambridgeshire District Council (SCDC) who commenced in June 2016. This Director is employed by SCDC and his costs of employment are disclosed in their statement of accounts. The Council's share of those costs for 2016/17 was £52,858.

Financial year 2015/16

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

Notes:

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

The Council is required to recognise the costs of redundancy in the accounts in line with accounting standards. This means that the cost recognised in the accounts includes estimates for staff where the Council made the redundancy decision in 2016/17, but the staff will not leave and receive any exit payment until 2017/18. The number of exit packages recognised in the accounts, analysed between compulsory redundancies and other departures, and the total cost per band are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
£0 - £20,000	7	6	0	0	7	6	58	67
£20,001 - £40,000	0	4	0	0	0	4	0	99
£40,001 - £60,000	0	1	0	0	0	1	0	42
£60,001 - £80,000	0	2	0	0	0	2	0	147
£80,001 - £100,000	0	2	0	0	0	2	0	164
£100,001 - £150,000	0	1	0	0	0	1	0	120
Total	**7**	**16**	**0**	**0**	**7**	**16**	**58**	**639**

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)	2016/17	2015/16 (restated)
Ernst & Young LLP - External audit services	57	52
Ernst & Young LLP - Certification of grant claims and returns	19	18
Cabinet Office - National Fraud Initiative	2	0
	78	**70**

15 Property, Plant and Equipment

Financial year 2016/17

(£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 2016	**586,941**	**138,449**	**19,726**	**4,262**	**1,173**	**3,682**	**31,853**	**786,086**
Additions	7,533	96	1,154	232	22	1,188	19,053	29,278
Revaluation increases/(decreases) recognised in the revaluation reserve	(12,253)	3,460	0	0	0	3,003	(125)	(5,915)
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	(8,681)	1,376	0	0	0	(321)	0	(7,626)
Derecognition – disposals	(5,076)	(2,285)	0	0	0	0	0	(7,361)
Derecognition – other	(333)	(82)	0	0	0	0	0	(415)
Assets reclassified from Investment Properties	0	245	0	0	0	0	0	245
Assets reclassified (to) / from held for sale	(285)	0	(415)	0	0	0	(6,355)	(7,055)
Assets reclassified (to) / from other categories of property, plant and equipment	11,742	115	277	29	0	1,709	(13,872)	0
At 31 March 2017	**579,588**	**141,374**	**20,742**	**4,523**	**1,195**	**9,261**	**30,554**	**787,237**
Accumulated Depreciation and Impairment								
At 1 April 2016	**0**	**(1,679)**	**(11,044)**	**(558)**	**0**	**0**	**0**	**(13,281)**
Depreciation charge	(9,058)	(4,308)	(1,857)	(117)	0	0	0	(15,340)
Depreciation written out to the Revaluation Reserve	8,949	2,573	0	0	0	26	0	11,548
Derecognition – disposals	76	402	0	0	0	0	0	478
Derecognition – other	3	3	0	0	0	0	0	6
Impairments	0	0	0	0	0	0	0	0
Assets reclassified to / from Held for Sale	4	0	382	0	0	0	0	386
Assets reclassified to / from other categories of property, plant and equipment	26	0	0	0	0	(26)	0	0
Other movements	0	0	0	0	0	0	0	0
At 31 March 2017	**0**	**(3,009)**	**(12,519)**	**(675)**	**0**	**0**	**0**	**(16,203)**
Net Book Value								
At 31 March 2017	**579,588**	**138,365**	**8,223**	**3,848**	**1,195**	**9,261**	**30,554**	**771,034**
At 31 March 2016	**586,941**	**136,770**	**8,682**	**3,704**	**1,173**	**3,682**	**31,853**	**772,805**

Financial year 2015/16

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

16 Property - Revaluations

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

Current year revaluations were carried out by Independent External Valuers (all RICS registered) in accordance with the RICS Valuation – Professional Standards UK and global January 2014 (revised April 2015) as amended) issued by the Royal Institution of Chartered Surveyors and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17:

G Harbord MA MRICS IRRV(Hons) (Wilks Head and Eve)
M Aldis BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)
P Smith BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)
Amanda Briggs BA (Hons) MRICS (Bidwells LLP)
Anna Groom MA MRICS (Bidwells LLP)
Clare Sale MRICS (Bidwells LLP)
Duncan Wisbey MRICS (Bidwells LLP)

The valuation of operational property was on the basis of current value derived on the basis of Existing Use Value except for specialised operational assets which were assessed on the basis of Depreciated Replacement Cost. Further detail on the basis for valuation is set out in the statement of accounting policies on page 98.

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

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

In accordance with the Valuation Standards, Bidwells confirms that it last valued the properties in 2016 and has acted as valuer for Cambridge City Council since March 1994. They also confirm that in their last financial year the fees received from Cambridge City Council represented less than 5% of their turnover and they do not expect any material increase in these fees in 2017. Bidwells has a policy of rotating personnel undertaking this valuation so that no single valuer values the portfolio for more than seven consecutive years. This rotation is undertaken in accordance with Bidwells Management System under ISO 9001:2000

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

Surplus General Fund properties are valued at fair value (at level 3 of the fair value hierarchy) as at 31 March 2017. This value represents the development potential based on a value per net developable acre taking into account planning risk. If the value per acre falls or the planning risk increases the fair value will fall. The impact of this valuation is an unrealised gain of £320,000 to the revaluation reserve as recognised in the surplus on revaluation of property, plant and equipment in other comprehensive income and expenditure.

Surplus Housing properties are valued at fair value (at level 2 of the fair value hierarchy) as at 31 March 2017 based on comparable market data. The impact of this valuation is an unrealised gain of £2,709,000 to the revaluation reserve as recognised in other comprehensive income and expenditure and a revaluation loss of £352,000 recognised in the Housing Revenue Account Income and Expenditure Statement

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

(£000s)	Council Dwellings	Other Land and Buildings	Surplus Assets	Total
Valued at fair value as at:				
31 March 2017	579,588	87,277	9,261	676,126
31 March 2016	0	42,706	0	42,706
31 March 2015	0	4,021	0	4,021
31 March 2014	0	3,607	0	3,607
31 March 2013	0	754	0	754
Total Valuation	**579,588**	**138,365**	**9,261**	**727,214**

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

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

17 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. Flats are assessed as having a remaining life of 45 years and houses 46 years.

The useful lives of other assets are generally estimated as:

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

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)	2016/17	2015/16
Opening Capital Financing Requirement	**220,433**	**216,012**
Capital Expenditure		
Property, Plant and Equipment	29,278	42,424
Investment Properties	417	9,839
Intangible Assets	0	18
Non-current assets held for sale	0	163
Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure		
Revenue Expenditure Funded from Capital	3,779	4,304
De-minimis capital expenditure	658	960
Loans Advanced		
Private Sector Housing Improvement Loans	44	23
Loan to group company	7,500	0
Revaluation losses on non-dwelling HRA assets charged to the Comprehensive Statement of Income and Expenditure	(135)	(186)
Sources of finance		
Capital receipts	(12,347)	(11,010)
Government grants and other contributions	(5,720)	(8,520)
Revenue and reserves	(18,890)	(33,591)
Other movements	1	(3)
Closing capital financing requirement	**225,018**	**220,433**

19 Capital Commitments

At 31 March 2017, the Council was contractually committed to capital work valued at approximately £7.5 million, as shown in the following table.

(£000s)	31 March 2017	31 March 2016
Property, Plant and Equipment		
Clay Farm Community Centre	2,740	6,717
Vehicle Asset Replacement Programme	134	185
HRA New Build Properties	2,435	14,745
Housing Capital Programme	1,132	2,128
General Fund Property Acquisition for Housing Company	0	1,745
Bus shelters	0	75
Replacement telecommunications and LAN	116	188
Grand Arcade Car Park LED Lights	52	0
Land at Clay Farm	595	731
Assets Held For Sale		
Development land on Kings Hedges Road	52	0
Investment Properties		
Clay Farm commercial property construction costs	63	253
Commercial properties asset replacement	0	131
Revenue Expenditure Funded from Capital Under Statute		
*Community Development Grants Programme	140	115
Green Deal Grants	0	1,892
Cambridge City 20 mph Zones Project	81	0
	7,540	**28,905**

20 Investment Properties

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

(£000s)	2016/17	2015/16
Rental income from investment property	(8,946)	(8,266)
Direct operating expenses arising from investment property	498	395
Net gain	**(8,448)**	**(7,871)**

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

The following summarises the movement in the fair value of investment properties (measured at Level 3 in the Fair Value Hierarchy) over the year.

(£000s)	2016/17	2015/16
Balance at start of the year	**144,274**	**121,765**
Additions:		
Subsequent expenditure	226	213
Acquisitions	190	9,626
Unrealised gains/(losses) recognised in Financing and Investment Income line in Surplus/Deficit on the provision of services from fair value adjustments	10,261	13,420
Disposals	(1,000)	0
Transfers:		
(To) / from Property, Plant and Equipment	(245)	(750)
Balance at the end of the year	**153,706**	**144,274**
Acquisitions included above measured at historic cost	(369)	(179)
Fair value at year end	**153,337**	**144,095**

21 Fair Value Measurement of Investment Properties

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

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

The portfolio is valued in line with the accounting policy detailed on page 104.

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

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

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

Property Class	Fair Value at 31 March 2017	Predominant Valuation technique	Key unobservable inputs	Range
Retail	38,116	Investment	Market Rent (psf) Market Rent (psf ZA) EY Yield	£8.60 - £41.00 £15.25 - £220 5.0% - 16.5%
Central Cambridge Shopping Centres	41,000	Investment	NIY Yield	4%
Offices	5,930	Investment	Market Rent (psf) EY Yield	£8.60 - £20.00 7.4% - 10.0%
Industrial	9,050	Investment	Market Rent (psf) EY Yield	£6.00 - £15.50 7.4% - 9.0%
Land	33,532	Investment / Comparable	Market Rent (per acre) NIY Yield EY Yield £/acre	£625 - £53,000 3.0% - 7.0% 6.5% - 10.0% £130,000 - £1,000,000
Leisure	2,910	Investment	EY Yield	7.49% - 15%
Other	22,799	Investment	Yield	2.4% - 15%
Total	**153,337**			

The predominant valuation techniques are:

Investment Method

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

Comparable Method

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

Sensitivity Analysis

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

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

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

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

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

22 Leases

Council as Lessee

Finance Leases

The carrying value of investment properties held under finance leases was £2,430,000 at 31 March 2017 (£1,660,000 at 31 March 2016). Secondary lease payments of £2,247 in each of 2015/16 and 2016/17 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 £54,283 at 31 March 2017 (£135,709 at 31 March 2016).

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 £38,100,000 at 31 March 2017 (£35,260,000 at 31 March 2016).

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 2017	31 March 2016
Not later than one year	205	179
Later than one year and not later than five years	279	441
Later than five years	0	0
	484	**620**

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

(£000s)	2016/17	2015/16
Minimum lease payments	**324**	**221**

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 2017	31 March 2016
Not later than one year	3,956	4,458
Later than one year and not later than five years	12,009	13,187
Later than five years	98,587	102,290
	114,552	**119,935**

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2016/17 £2,254,764 of contingent rents were receivable by the Council (2015/16 £2,241,047).

23 Short-Term and Long-Term Investments

(£000s)	2016/17		2015/16	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic banks and their UK subsidiaries	0	41	0	41
Loan to Group company	7,500	0	0	0
Other investments	24,585	71,117	32,050	56,760
	32,085	**71,158**	**32,050**	**56,801**

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 £4 million deposited with Heritable Bank Plc. The Council has received 98% of its claim to date. The administrators have not given any firm indications as to the likely timing and scale of further dividends, but given the information available to it, the Council has assumed an overall recovery of 99%.

(£000s)	2016/17	2015/16
	Heritable Bank Plc	Heritable Bank Plc
Balance sheet carrying value		
Short term investments	41	41
Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account	0	(102)
Cash received	0	162

24 Long-Term Debtors

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

(£000s)	31 March 2017	31 March 2016
Mortgages	1	1
Grand Arcade reverse lease premium	194	200
Private sector housing improvement loans	832	815
Sale of land at Kings Hedges	30	30
Deferred property sale proceeds	2,705	0
Cambridge Live	125	125
Visit Cambridge and Beyond	90	90
Employee Loans	0	2
Mortgage Repossessions Loans	7	7
	3,984	**1,270**

25 Assets Held for Sale

(£000s)	Current	
	2016/17	2015/16
Balance at 1 April	**4,295**	**9,707**
Assets newly classified as held for sale:		
Property, plant & equipment	6,669	672
Assets sold	(249)	(7,331)
Assets disposed of to group company	(6,355)	0
K1 Site – change in estimate of value – reverse previous loss in I&E	300	1,096
Enhancement expenditure	0	163
Impairment losses	(17)	(12)
Balance at 31 March	**4,643**	**4,295**

The 2016/17 and 2015/16 impairment losses relate to vehicles.

26 Debtors

(£000s)	31 March 2017	31 March 2016
Central government bodies	1,054	2,508
Other local authorities	1,176	2,065
NHS bodies	18	10
Council tax payers (City share)	358	383
National non domestic rate payers (City share)	273	152
Council tax payers (precepting bodies share)	643	1,285
Housing tenants and leaseholders	417	349
Trade and other	3,238	6,518
	7,177	**13,270**

27 Cash and Cash Equivalents

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

(£000s)	31 March 2017	31 March 2016
Cash held by the Council	0	0
Bank current accounts	265	1,626
Bank deposit accounts	550	7,560
Overnight Money Market Funds	14,200	0
	15,015	**9,186**

28 Short-Term Creditors

(£000s)	31 March 2017	31 March 2016
Central government bodies	(7,645)	(4,934)
Other local authorities	(3,439)	(3,119)
Other entities and individuals	(7,908)	(9,841)
	(18,992)	**(17,894)**

29 Receipts in Advance

(£000s)	31 March 2017	31 March 2016
Cambridge City Council share of council tax receipts in advance	(301)	(296)
Cambridge City Council share of non-domestic rates receipts in advance	(979)	(689)
Capital grants receipts in advance	(349)	(47)
Housing tenants and leaseholders	(802)	(845)
Other	(1,881)	(1,836)
	(4,312)	**(3,713)**

30 Provisions

Insurance Provision

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

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

Business Rates Appeals Provision

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

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2017 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 2016	**(646)**	**(3,805)**	**(260)**	**(4,711)**
Additional provisions made in 2016/17	(167)	(766)	(96)	(1,029)
Amounts used in 2016/17	295	896	251	1,442
Unused amounts reversed in 2016/17	126	0	0	126
Balance as at 31 March 2017	**(392)**	**(3,675)**	**(105)**	**(4,172)**

31 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17:

(£000s)	2016/17	2015/16
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(1,954)	(3,012)
New Homes Bonus	(6,332)	(4,976)
New Burdens and Transitional Grants	(61)	(86)
Individual Electoral Registration Grants	0	(103)
Homelessness Grants	0	(196)
Syrian Resettlement Grant	(313)	0
Small Business Rate Relief Grant	(311)	(311)
Other Business Rate Relief Grants	(26)	(653)
Welfare Reform Grants	(116)	(122)
Other Capital grants and contributions	(1,751)	(4,925)
	(10,864)	**(14,384)**
Credited to Services		
Community Housing Grant	(52)	0
Discretionary Housing Payments	(189)	(149)
Rent Allowance and Rent Rebates Admin Subsidy	(402)	(480)
Rent Allowance Subsidy	(19,063)	(19,196)
Rent Rebates Subsidy	(18,218)	(19,017)
Non HRA Rent Rebates Subsidy	(437)	(477)
Other Housing Benefit Grants	(70)	(75)
Other capital grants and contributions	0	(358)
	(38,431)	**(39,752)**

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 2017	31 March 2016
Capital Grants Receipts in Advance		
Due within 12 months	(349)	(47)
Due in more than 12 months	(8,173)	(7,778)
Total	**(8,522)**	**(7,825)**

32 Usable Reserves

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

33 Unusable Reserves

(£000s)	31 March 2017	31 March 2016
Deferred Capital Receipts Reserve	(2,735)	(3,979)
Revaluation Reserve	(148,645)	(147,009)
Capital Adjustment Account	(564,950)	(555,750)
Financial Instruments Adjustment Account	65	80
Pensions Reserve	114,032	106,762
Collection Fund Adjustment Account	768	1,847
Available for Sale Reserve	450	(2)
Accumulated Absences Account	455	455
Total Unusable Reserves	**(600,560)**	**(597,596)**

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)	2016/17	2015/16
Balance at 1 April	**(3,979)**	**(3,226)**
Deferred sale proceeds on disposal of non-current assets	(2,705)	(3,403)
Transfer to the Capital Receipts Reserve upon receipt of cash	3,949	2,650
Balance at 31 March	**(2,735)**	**(3,979)**

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)	2016/17	2015/16
Balance at 1 April	**(147,009)**	**(104,993)**
Net (gains) / losses on revaluations during the year	(5,632)	(49,069)
Amounts written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	3,054	1,821
Accumulated gains on assets sold or scrapped	942	5,232
Balance at 31 March	**(148,645)**	**(147,009)**

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)	2016/17	2015/16
Balance at 1 April	**(555,750)**	**(499,567)**
Charges for depreciation and impairment of non-current assets	15,340	14,124
Revaluation (gains)/losses on property, plant and equipment	7,492	(12,406)
Impairment losses on assets held for sale	(283)	(1,084)
Impairments on property, plant and equipment	0	4
Amortisation of intangible assets	89	108
Revenue expenditure funded from capital under statute and de minimis capital spend	4,437	5,264
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	13,954	6,159
Depreciation in excess of historic cost transfer from revaluation reserve	(3,054)	(1,821)
Use of the Capital Receipts Reserve to finance new capital expenditure	(12,347)	(11,010)
Use of the Major Repairs Reserve to finance new capital expenditure	(5,990)	(6,892)
Application of grants and contributions to capital financing	(5,720)	(8,520)
Private sector housing loans	43	10
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(12,900)	(26,699)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(10,261)	(13,420)
Balance at 31 March	**(564,950)**	**(555,750)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pensions funds or eventually pays any pensions for which is it directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further details on pension transactions are shown in note 37.

(£000s)	2016/17	2015/16
Balance at 1 April	**106,762**	**124,811**
Remeasurements of the net defined benefit liability/(asset)	3,293	(22,821)
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	10,400	10,494
Employer's pension contributions and direct payments to pensioners payable in the year	(6,423)	(5,722)
Balance at 31 March	**114,032**	**106,762**

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)	2016/17	2015/16
Balance at 1 April	**1,847**	**4,536**
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	(52)	(17)
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different to the non-domestic rates income calculated for the year in accordance with statutory requirements	(1,027)	(2,672)
Balance at 31 March	**768**	**1,847**

34 Contingent Liabilities

NHS Trusts

During January and February 2016, NHS Trusts wrote to local authorities countrywide claiming charitable status and requesting mandatory relief from business rates under s.43(5) and (6) of the Local Government Act 1988, the request being backdated to 2010. If granted this would lead to a repayment of 80% of the rates paid. It has been estimated that the backdated loss of rates income to 31 March 2017 to the Collection Fund would be in the order of £14.4 million. The Council's share of this loss would be £5,764,000.

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

35 Financial Instruments

Categories of Financial Instrument

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

(£000s)	Long Term		Current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Investments				
Loans and receivables	17,500	22,000	61,143	46,728
Available-for-sale financial assets	14,535	10,000	10,015	10,073
Unquoted equity investment at cost	50	50	0	0
Debtors				
Loans and receivables	1,279	1,270	4,443	8,829
Available-for-sale financial assets	2,705	0	0	0
Creditors & Receipts in Advance				
Financial liabilities at amortised cost	(8,173)	(7,778)	(10,804)	(12,872)
Borrowing				
Financial liabilities at amortised cost	(213,572)	(213,572)	(82)	(82)
	(185,676)	**(188,030)**	**64,715**	**52,676**

Private Sector Housing Improvement Loans

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

(£000s)	2016/17	2015/16
Balance sheet carrying value as at 1 April	**815**	**793**
Adjustment to opening values/other adjustments	(3)	4
Nominal value of new loans recognised in the year	44	23
Interest – increase in discounted amount	17	19
Loans repaid	(43)	(14)
Fair value adjustment	2	(10)
Balance sheet carrying value as at 31 March	**832**	**815**
Loan payments outstanding (nominal value) at 31 March	**896**	**895**

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)	2016/17			2015/16		
	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	7,498	0	0	7,532	0	0
Reductions in fair value	0	2	0	0	10	0
Reversal of losses on impaired financial assets	0	0	0	0	(107)	0
Impairment losses	0	245	0	0	216	0
Total expense in Surplus on the Provision of Services	**7,497**	**245**	**0**	**7,532**	**119**	**0**
Increases in fair value	0	0	0	0	0	0
Interest Income	0	(803)	(626)	0	(710)	(666)
Total income in Surplus on the Provision of Services	**0**	**(803)**	**(626)**	**0**	**(710)**	**(666)**
(Gains)/Losses on revaluation	0	0	452	0	0	(568)
(Surplus) /deficit arising on revaluation of financial assets in Other Comprehensive Income &Expenditure	**0**	**0**	**452**	**0**	**0**	**(568)**

Financial assets measured at fair value in the balance sheet

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2017 (£000s)	31 March 2016 (£000s)
Units in CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	14,535	10,000
Certificates of Deposit	Level 1	Unadjusted quoted prices in active markets for identical CDs	0	10,073
Enhanced Cash Funds	Level 1	Unadjusted quoted prices in active markets for identical units	10,015	0
Contingent proceeds on disposal of assets	Level 3	Valuation of likely estimated sale proceeds	2,705	0
			27,255	**20,073**

As disclosed above, the Council has disposed of a number of assets where the consideration cannot be known with certainty at the current balance sheet date as the final amount is contingent on a number of other events. Where possible the Council has estimated the fair value of these proceeds. In the case of disposal of land in North East Cambridge the potential proceeds are so uncertain both in timing and amount and no value has currently been recognised in the accounts. The total estimated proceeds on disposal of assets have been reflected in the surplus on disposal as reported on other operating income in the Comprehensive Income and Expenditure Statement.

Equity shares, as available-for-sale assets are required to be valued at fair value if material.

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

The Council has also made an exception to this treatment in respect of its shareholding in the UK Municipal Bonds Agency Plc. The shares in this company are carried at cost of £50,000 and have not been valued as a fair value cannot be measured reliably. The Council has no current intention to dispose of the shareholding.

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

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value (assessed as level 2 in the fair value hierarchy) can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- An estimated interest rate at 31 March 2017 of 1.51% (1.89% at 31 March 2016) has been used to calculate the fair value of private sector housing improvement loans
- An estimated interest rate at 31 March 2017 of 1.77% has been used to estimate the fair value of the loan to Cambridge City Housing Company.
- Estimated ranges of interest rates at 31 March 2017 of 2.38% to 2.60% for long term loans from the Public Works Loans Board (PWLB).
- No early repayment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- The fair value of capital contributions received in advance is taken to be the amount received

The fair values are assessed as follows:

(£000s)	31 March 2017		31 March 2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial Liabilities at amortised cost				
Current liabilities	(10,804)	(10,804)	(12,872)	(12,872)
Long term liabilities	(8,173)	(8,173)	(7,778)	(7,778)
Short term borrowing	(82)	(82)	(82)	(82)
Long term borrowing	(213,572)	(258,465)	(213,572)	(233,206)
Loans and receivables:				
Long term debtors	1,279	1,279	1,270	1,270
Current debtors	4,443	4,443	8,829	8,829
Long term investments	17,500	17,537	22,000	22,001
Current investments	61,143	61,143	46,728	46,728

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

The fair value of the loans from the PWLB have been assessed using the new loans rate. IFRS 13 and the Code require that in the absence of a quoted price for a liability, fair value should be measured from the perspective of a market participant. For PWLB loans, measurement is therefore required from the perspective of the PWLB, assessing the price that they would be able to secure if they were to sell the loans in an orderly market transaction. However, it is sometimes not possible

to find observable active markets. The Council's treasury advisors have therefore advised using the PWLB new loan rate as a suitable proxy for a transfer value. This reflects the reality that the Council has a continuing ability to borrow at PWLB rates.
However, if the Council were to seek to take advantage of the lower prevailing market rates by repaying current PWLB loans, the PWLB would charge a penalty and the Council would have to pay the early redemption rate. The exit price for PWLB loans including this penalty would be £312,333,000.

36 Nature and extent of risks arising from financial instruments

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

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

How the Council manages those risks

The Council maintains principles for overall risk management, as well as approved policies covering specific areas, such as Treasury Management. The principles behind how the Council intends to manage overall credit, liquidity and market risk in its investments are contained within the Annual Treasury Management and Investment Strategy report, submitted to full Council before the start of each financial year. This strategy can be amended, but only by full Council. During 2016/17 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 2016/17
Government Debt Management Account Deposit Facility (DMADF)	Unlimited	Unchanged
UK Government Gilts, Treasury Bills and Supranational Bonds	£15m	Unchanged
HSBC Bank Plc (no longer Council's Bankers)	£20m	Reduced by £5m
Barclays Bank plc	£25m	Unchanged
Single named Institution (Nationalised Banks, Local Authorities, Nationwide Building Society & UK Domiciled Banks excluding Santander)	£20m	Unchanged
UK Banks Group Limit	£30m	Unchanged
All Long Term Deposits (Group Limits):	£50m	Increase of £10m
Local Authorities only (Long Term to 1 year)	£35m	Increase of £5m
CCLA Local Authorities Property Fund	£15m	Increase of £5m
Certificates of Deposit with UK Banks (Included within single counterparties limit)	£15m	Unchanged
AAA Money Market Funds	£15m total per fund	Unchanged
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/V1)	£10m total per fund	Increase of £5m per fund
UK subsidiary of foreign bank (Santander UK)	£5m	Unchanged
Named Foreign Banks (Svenksa Handlesbanken)	£5m	Unchanged value Deutsche Bank removed from Counterparty List
Certificates of Deposit with the Named Foreign Banks (included within single counterparties limit)	£5m	Increase of £3m
Building Society (dependent on asset base and investment type)	£2m to £20m	Unchanged
CCLA Local Authorities' Property Fund	£15m	Increase of £5m

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 2017 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 2017					
United Kingdom					
Banks	18,500	16,500	0	0	35,000
Building Societies	0	0	0	0	0
Local Authorities	4,000	6,000	16,000	10,000	36,000
Total	**22,500**	**22,500**	**16,000**	**10,000**	**71,000**

(£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 2016					
United Kingdom					
Banks	21,000	33,500	0	0	54,500
Building Societies	0	2,000	0	0	2,000
Local Authorities	0	0	0	22,000	22,000
Total	**21,000**	**35,500**	**0**	**22,000**	**78,500**

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

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

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

(£000s)	31 March 2017		31 March 2016	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	3,984	0	1,270	0
Current and former tenants	1,373	1,203	1,387	1,181
Other debtors	4,742	470	9,043	419
	10,099	**1,673**	**11,700**	**1,600**

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 2017	31 March 2016
Balance at 1 April	**1,600**	**1,555**
Increase in allowance for impairment	210	215
Balances written off during the year	(137)	(170)
Balance at 31 March	**1,673**	**1,600**

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2017, of the total debtor and deferred debtor balances of £10.1 million (£11.7 million at 31 March 2016), the past due amount was £2.3 million (£2.0 million at 31 March 2016) and can be analysed by age as follows:

(£000s)	31 March 2017	31 March 2016
Customer Debts		
Less than three months	459	458
Three to six months	403	138
Six months to one year	191	223
More than one year	1,244	1,189
Balance at 31 March	**2,297**	**2,008**

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

(£000s)	31 March 2017	31 March 2016
Impairment allowance by age of debt		
Less than three months	145	139
Three to six months	116	76
Six months to one year	120	143
More than one year	1,153	1,242
Balance at 31 March	**1,534**	**1,600**

The Council has advanced a loan to Cambridge City Housing Company of £7.5 million which is due for repayment in April 2019. The credit risk from this loan is low as the loan is secured against the properties owned by the company.

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 2017	31 March 2016
Between 20 and 25 years	53,393	42,714
Between 25 and 30 years	53,393	53,393
Between 30 and 35 years	53,393	53,393
Between 35 and 40 years	53,393	53,393
Between 40 and 45 years	0	10,679
	213,572	**213,572**

Accrued interest due on the PWLB loans to 31 March 2017 was £82,000 (£82,000 in 2015/16).

Market risk

Interest rate risk

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

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. During 2016/17, if interest rates on variable rate deposits had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £317,848 (£285,000 in 2015/16).

Price risk

The Council does not generally invest in equity shares in individual companies. However it has investments in Cambridge City Housing Company and the Municipal Bonds Agency as detailed in Note 35.

The Council also invested £10 million in the Local Authorities' Property Fund in 2014/15. This is a professionally diversified property portfolio. The Council invested a further £5 million in the Fund in 2016/17.

These 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 Municipal Bonds Agency shares and those in Cambridge City Housing Company, but these are not material to the Council.

A loss of £465,000 in respect of the Local Authorities' Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2016/17. This reflects general movements in the value of the shares over 2016/17, and the spread between the offer price at which the additional £5 million of units was purchased and the bid price that any purchasers would pay for them. A further movement in the bid price of 5% (positive or negative) would have resulted in a £727,000 gain or loss being recognised in Other Comprehensive Income and Expenditure in 2016/17.

The Council also holds a number of Enhanced Cash Funds, shown in current investments, which are available-for-sale assets and a small gain of £15,000 has been recognised in Other Comprehensive Income and Expenditure in 2016/17 in respect of these assets.

The statutory accounting arrangements around all investments treated as available-for-sale mean that any gains or losses arising from price movements recognised in the Comprehensive Income and Expenditure Statement are not borne by the General Fund for taxation purposes until the investments are sold. The Council intends to hold the investments in the Municipal Bonds Agency, Cambridge City Council, and the Local Authorities' Property Fund over the long term. .

Foreign exchange risk

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

37 Defined Benefit Pension Schemes

Participation in pension schemes

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

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

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme in 2016/17 was the responsibility of the Cambridgeshire Pension Fund Committee and Investment Sub-Committee. Policy is determined in accordance with the pension fund regulations.

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

Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the employer contributions payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The 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	
	2016/17	2015/16
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	6,209	7,334
Past service costs (including curtailments)	409	268
Effect of settlements	14	(1,105)
Financing and Investment Income and Expenditure:		
Net interest cost	3,768	3,997
Total post-employment benefit charged to the surplus or deficit on the provision of services	**10,400**	**10,494**
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)	(32,451)	7,346
Changes in demographic assumptions	(2,472)	0
Changes in financial assumptions	46,014	(28,695)
Other experience changes	(7,798)	(1,472)
Total post-employment benefit charged to the comprehensive income and expenditure statement	**13,693**	**(12,327)**
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	(3,977)	(4,722)
Actual Charges to the General Fund and Housing Revenue Account - Employers' contributions payable to the scheme	**6,423**	**5,722**

Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2016/17	2015/16
Present value of the defined benefit obligation	(322,670)	(277,380)
Fair value of plan assets	208,638	170,618
Net liability arising from defined benefit obligation	**(114,032)**	**(106,762)**

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 £114.0 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

Assets and liabilities in relation to post-employment benefits

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

(£000s)	2016/17	2015/16
Opening balance at 1 April	**(277,380)**	**(302,046)**
Current Service Cost	(6,209)	(7,334)
Past service cost	(409)	(268)
Effect of settlements	(5)	5,734
Interest Cost	(9,693)	(9,556)
Contributions by scheme participants	(1,570)	(1,584)
Benefits paid	8,054	7,246
Estimated unfunded benefits paid	286	261
Remeasurements – changes in financial assumptions	(46,014)	28,695
Remeasurements – other experience	7,798	1,472
Remeasurements – changes in demographic assumptions	2,472	0
Closing balance at 31 March	**(322,670)**	**(277,380)**

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

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

(£000s)	2016/17	2015/16
Opening balance at 1 April	**170,618**	**177,235**
Effect of settlements	(9)	(4,629)
Interest income on plan assets	5,925	5,559
Contributions by scheme participants	1,570	1,584
Employer Contributions	6,137	5,461
Contributions in respect of unfunded benefits	286	261
Benefits paid	(8,054)	(7,246)
Unfunded benefits paid	(286)	(261)
Remeasurements – return on assets excluding amount in net interest expense	32,451	(7,346)
Closing balance at 31 March	**208,638**	**170,618**

Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets	
	2016/17	2015/16
Cash and cash equivalents	5,961	2,428
Equity instruments:		
Consumer	5,600	3,922
Manufacturing	3,628	3,281
Energy & utilities	4,816	2,863
Financial Institutions	8,455	6,215
Health and care	2,215	2,675
Information technology	921	1,347
Other	0	0
Debt securities	5,622	0
Private Equity	18,150	15,768
Investment Funds and Unit Trusts:		
Equities	117,395	91,951
Bonds	22,009	25,603
Other	13,866	14,565
Closing balance at 31 March	**208,638**	**170,618**

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 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2016/17	**2015/16**
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	22.4	22.5
Women	24.4	24.5
Longevity at 65 for future pensioners		
Men	24.0	24.4
Women	26.3	26.9
Rate of increase in salaries	2.7%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.0%	25.0%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.0%	63.0%

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

Change in assumption at 31 March 2017	Approximate % increase to Employer Liability	Approximate Monetary amount (£000s)
0.5% decrease in the real discount rate	10	32,032
0.5% increase in the salary increase rate	1	4,752
0.5% increase in the pensions increase rate	8	26,834

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 2018.

The next triennial revaluation is due to be completed as at 31 March 2019.

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 £12,460,000 in 2017/18.

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

	Weighted average duration
Active members	23.4
Deferred members	23.1
Pensioner members	11.2
Weighted Average Total	**18.4**

The weighted average duration is the weighted average time until the payment of expected future discounted 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 2016.

38 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2016/17	2015/16
Housing rents	20,972	20,237
Revenue Support Grant	1,955	3,012
Council Share on non-domestic rates income collected	39,597	38,630
Non domestic rates – tariff payment to central government	(33,823)	(33,544)
New Homes Bonus Grant	6,332	4,976
Non domestic rates – levy payment to central government	(816)	(152)
Section 31 grants received from central government	1,064	1,336
Green Deal Grant	0	0
Housing Benefit subsidies	39,064	38,439
Council share of Council Tax receipts	7,434	7,048
Cash paid to and on behalf of employees	(25,017)	(25,639)
Employer national insurance and pension contributions paid	(8,348)	(7,459)
Payments to the capital receipts pool	(1,412)	(1,078)
Housing Benefit paid	(19,387)	(19,588)
Interest received	1,334	1,276
Interest paid	(7,497)	(7,534)
Other cashflows	3,388	(603)
	24,840	**19,357**

39 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2016/17	2015/16
Purchase of property, plant and equipment, investment property and intangible assets	(31,609)	(50,553)
Loan to Group Company	(7,500)	0
Purchase of short-term and long-term investments	(86,000)	(74,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21,845	11,221
Proceeds from short-term and long-term investments	78,537	87,662
Other receipts from investing activities	3,536	3,154
	(21,191)	**(22,516)**

40 Cashflow Statement – Financing Activities

(£000s)	2016/17	2015/16
Other receipts from financing activities	2,180	5,077
Net cash flows from financing activities	**2,180**	**5,077**

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

41 Impact of the adoption of new accounting standards on the financial statements – effective for the 2017/18 financial year

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been *issued* but not yet adopted. This applies to the adoption of new or amended standards within the 2017/18 Code:

There are changes in accounting standards reflected in the Code which are expected to impact on the Council in 2017/18

42 Changes in accounting estimates

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

Pension estimates

In assessing liabilities for retirement benefits at 31 March 2016 for the 2015/16 Statement of Accounts the actuary assumed a discount rate of 3.5%. For the 2016/17 Statement of Accounts the actuary has advised that a rate of 2.6% is appropriate. Application of this rate and other changes has resulted in an increase in liabilities of £46.0 million. This has been partially offset by other remeasurement changes including a gain of £32.5 million relating to the estimated return on scheme assets. The net remeasurement losses are recognised for the year in Other

Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement. Further details of the movements in the pensions liability for the year can be found in Note 37.

Change in Existing Use Value – Social Housing Adjustment Factor

The percentage used to adjust the value of council dwellings from their vacant possession value (the existing use social housing adjustment factor) changed for the East of England on 1 April 2016, reducing from 39% to 38%. Based on the value of council dwellings at that date this equates to a reduction in value of £15.1 million. The resultant impact of this change is reflected, along with other changes in the value of housing stock, at the year end and in the Comprehensive Income and Expenditure Statement.

43 Changes to the Presentation of the Comprehensive Income and Expenditure Statement

In previous years the Net Cost of Services in the Comprehensive Income and Expenditure Statement has been presented in line with the Service Reporting Code of Practice (SERCOP). The 2016/17 Code of Practice on Local Authority Accounting now requires Cost of Services to be analysed by the Portfolios used by the Council. The 2015/16 comparator figures have therefore been restated, but there is no change to the total Cost of Services as reported in the 2015/16 Statement of Accounts. In line with the Code the Council has also presented the new Expenditure and Funding Analysis and related notes. These also include comparative figures for 2015/16.

44 Date the Statement of Accounts were authorised for issue

The audited accounts were authorised for issue by the Council's Section 151 officer on 26 May 2017. This is the date up to which events after the balance sheet date have been considered.

45 Events after the Reporting Period

As noted above the audited accounts were authorised for issue on 26 May 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Additional Financial Statements and Information

Housing Revenue Account Income and Expenditure Account

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

(£000s)	Note	2016/17	2015/16
Income			
Dwelling rents	2	(36,731)	(37,033)
Non-dwelling rents		(761)	(696)
Charges for services and facilities		(3,089)	(3,076)
Contributions towards expenditure		(672)	(428)
Reimbursement of costs		(36)	(32)
Total		**(41,289)**	**(41,265)**
Expenditure			
Repairs & Maintenance		7,849	6,890
Supervision & Management		6,429	7,290
Rents, rates, taxes & other charges		237	226
Depreciation, impairment & reversal of revaluation losses on non-current assets		18,612	444
Increased provision for bad debts		141	148
Total		**33,268**	**14,998**
Net Expenditure		**(8,021)**	**(26,267)**
HRA services share of Corporate and Democratic Core		346	300
HRA services share of pensions past service costs		51	10
Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(7,624)**	**(25,957)**
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		(5,817)	(3,296)
Other income		(412)	(79)
Interest payable on PWLB loans		7,494	7,530
Interest and Investment Income		(1,021)	(973)
Capital Grants and Contributions Receivable		(1,095)	(1,455)
(Surplus) / Deficit for the year on HRA services		**(8,475)**	**(24,230)**

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2016/17	2015/16
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		**(8,475)**	**(24,230)**
Adjustments between accounting basis and funding basis under statute			
Gain on sale of non-current assets		5,817	3,296
Other capital receipts		412	79
Net revaluation gains/(losses) on property, plant and equipment		(8,680)	9,329
Revenue expenditure funded from capital under statute and de-minimus capital expenditure		(514)	(877)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		1,095	1,455
Movement in investment property value		133	99
Net charges made for retirement benefits made in accordance with IAS19	10	(1,277)	(1,364)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund	10	1,261	1,149
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		9	11
Capital Expenditure funded by the Housing Revenue Account	7	10,569	17,101
Transfer from the Major Repairs Reserve	9	(1,013)	(770)
Net (increase) / decrease before transfers to or from reserves		**(663)**	**5,278**
Transfers to reserves		275	(204)
Total movement on Housing Revenue Account for the year		**(388)**	**5,074**
Housing Revenue Account balance brought forward		**(9,791)**	**(14,865)**
Housing Revenue Account balance carried forward		**(10,179)**	**(9,791)**

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 2017, 1.4% of properties were vacant (1.0% at 31 March 2016).

The average rent payable in 2016/17 was £109.35 per week based on 48 payable rent weeks (£100.94 per week on a 52 week basis). The average rent payable in 2015/16 was £109.80 per week based on 48 payable rent weeks (£101.36 per week on a 52 week basis).

3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2017	1 April 2016	2016/17	2015/16
Dwellings	579,588	586,941	9,058	8,517
Other Land and Buildings	8,494	8,442	138	121
Infrastructure	2,318	2,147	57	45
Vehicles, Plant and Equipment	171	197	25	26
Investment Properties	5,361	5,228	0	0
Intangible Assets	14	19	5	0
Non-current assets held for disposal	143	95	0	0
Surplus Assets	5,258	0	0	2
Assets in the course of construction	21,291	21,427	0	0
	622,638	**624,496**	**9,283**	**8,711**

The value of council dwellings at 1 April 2016, based on vacant possession, was £1.545 million (1 April 2015: £1,380 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.

The percentage used to adjust the value of properties from their vacant possession value (the existing use social housing adjustment factor) changed for the East of England on 1 April 2016, reducing from 39% to 38%. The resultant impact of this change is reflected, along with other changes in the value of housing stock at the year end.

Net revaluation losses on Property, Plant and Equipment (including the housing stock) of £8.8 million have been charged to the Comprehensive Income and Expenditure Statement in 2016/17 (net revaluation loss reversals credited of £9.1 million in 2015/16). 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 on this debt being charged to the HRA in 2016/17 (£7,494,000 in 2015/16).

5 Housing Stock

The Council was responsible for an average stock of 7,087 dwellings during the year. The stock as at 31 March 2017 was as follows:-

	31 March 2017	31 March 2016
Houses & bungalows	3,566	3,597
Flats	2,972	2,933
Sheltered housing units	511	510
Shared ownership properties (whole property equivalent)	47	37
Total	**7,096**	**7,077**
The change in stock during the year can be summarised as follows:		
Stock at 1 April	**7,077**	**7,052**
Right to buy sales	(58)	(42)
Open market disposals	(2)	(4)
Net shared ownership changes	10	1
New properties	75	65
Other changes	(2)	5
Demolitions	(4)	0
Stock as at 31 March	**7,096**	**7,077**

Of the properties held at 31 March 2017, 26 are being held pending redevelopment and 1 is held pending disposal on the open market.

6 Rent Arrears

Rent arrears at 31 March 2017 were 1,373,448 (£1,334,359 at 31 March 2016) and as a proportion of gross rent income have increased from 3.37% in 2015/16 to 3.47% in 2016/17.

At 31 March 2017 a provision for bad debt of £1,202,756 was held in the balance sheet (£1,181,406 at 31 March 2016).

7 Financing of Capital Expenditure

(£000s)	2016/17	2015/16
Capital Expenditure		
Dwellings	7,533	10,124
Land and Buildings	0	0
Surplus assets	1,188	0
Vehicles, Plant and Equipment	0	6
Infrastructure Assets	228	460
Assets under Construction	13,242	20,243
Investment Properties	0	181
Intangible assets	0	19
De minimis capital expenditure	514	877
	22,705	**31,910**
Financed by:		
Capital receipts	5,501	6,462
Major repairs reserve	5,990	6,892
Revenue financing of capital	10,569	17,101
Capital contributions and grants	645	1,455
	22,705	**31,910**

8 Capital receipts within the HRA

(£000s)	2016/17	2015/16
Dwellings	11,958	7,781
Land	625	2,649
Total receipts	**12,583**	**10,430**
Payable to central government	(1,534)	(857)
Usable capital receipts	**11,049**	**9,573**

9 Major Repairs Reserve (MRR)

(£000s)	2016/17	2015/16
Balance at 1 April	**(3,268)**	**(2,219)**
Transfer to MRR during the year	(9,284)	(8,711)
Amount transferred from MRR to HRA	1,013	770
HRA capital expenditure on housing charged to MRR	5,990	6,892
Balance at 31 March	**(5,549)**	**(3,268)**

10 Contributions from the Pensions Reserve

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

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	2016/17		2015/16	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council Tax	2	(65,946)	0	(62,781)	0
Non domestic rates income		0	(99,494)	0	(96,541)
Contributions towards previous year's estimated Collection Fund deficit					
Central Government		0	(1,751)	0	(3,961)
Cambridge City Council		(87)	(1,401)	(60)	(3,169)
Cambridgeshire County Council		(562)	(315)	(391)	(713)
Cambridgeshire Police & Crime Commissioner		(89)	0	(63)	0
Cambridgeshire Fire Authority		(32)	(35)	(22)	(79)
Transitional protection receipts		0	0	0	(210)
Total Income		**(66,716)**	**(102,996)**	**(63,317)**	**(104,673)**
Council Tax Expenditure					
Cambridge City Council	4	7,439	0	7,060	0
Cambridgeshire County Council	4	47,773	0	45,709	0
Cambridgeshire Police & Crime Commissioner	4	7,497	0	7,244	0
Cambridgeshire Fire Authority	4	2,682	0	2,567	0
Impairment of Council Tax debts	5	864	0	582	0
Non-domestic rates Expenditure					
Cambridge City Council		0	39,973	0	38,663
Cambridgeshire County Council		0	8,994	0	8,699
Cambridgeshire Fire Authority		0	999	0	967
Non-domestic rates due to central government		0	49,966	0	48,329
Transitional protection payments		0	482	0	0
Impairment of non-domestic rates debts	6	0	110	0	456
Provision for non-domestic rates appeals	6	0	(320)	0	652
Allowable costs of non-domestic Rates Collection		0	226	0	228
Total Expenditure		**66,255**	**100,430**	**63,162**	**97,994**
(Surplus)/Deficit for the year		**(461)**	**(2,566)**	**(155)**	**(6,679)**
(Surplus)/Deficit as at 1 April		**689**	**4,423**	**844**	**11,102**
(Surplus)/Deficit as at 31 March	**7**	**228**	**1,857**	**689**	**4,423**

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 2017 was set at £1,597.54, made up as follows:

(£000s)	2016/17	2015/16
Cambridge City Council	181.75	176.75
Cambridgeshire County Council	1,167.12	1,144.26
Cambridgeshire Police & Crime Commissioner	183.15	181.35
Cambridgeshire Fire Authority	65.52	64.26
Total	**1,597.54**	**1,566.62**

The following table shows the calculation of the Council Tax Base for 2016/17 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2016/17

Valuation Band	Total number of dwellings on the Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc)	Ratio to Band D	Band D Equivalents
A	3,451	2,416	6/9	1,611
B	9,857	8,078	7/9	6,283
C	18,652	16,352	8/9	14,535
D	9,368	8,102	9/9	8,102
E	5,356	4,618	11/9	5,644
F	3,450	3,041	13/9	4,393
G	2,958	2,464	15/9	4,107
H	463	284	18/9	567
Total	**53,555**	**45,355**		**45,242**
Tax Base adjustments				**(4,310)**
Tax base for Council Tax Setting				**40,932**

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 £65.9 million in 2016/17 was receivable from the following sources:

(£000s)	2016/17	2015/16
Billed to Council Tax payers	65,954	62,768
Council Tax benefits	(8)	(15)
Ministry of Defence Contributions in Lieu	0	28
Total	**65,946**	**62,781**

3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2017 was £257,360,784 (£257,740,025 at 31 March 2016) and the Uniform Business Rate in 2016/17 was set by the government at 49.7p (2015/16, 49.3p).

4 Council Tax Expenditure

(£000s)	2016/17			2015/16		
	Precepts and Demands	Distribution of previous years' surplus	Total	Precepts and Demands	Distribution of previous years' surplus	Total
Cambridge City Council	7,439	0	7,439	7,060	0	7,060
Cambridgeshire County Council	47,773	0	47,773	45,709	0	45,709
Cambridgeshire Police and Crime Commissioner	7,497	0	7,497	7,244	0	7,244
Cambridgeshire Fire Authority	2,682	0	2,682	2,567	0	2,567

5 Provision for Non-Payment - Council Tax

A contribution of £863,366 (£581,942 in 2015/16) was made to a provision for bad debts. During 2016/17, £912,819 of debts (net of write backs) were written off (in 2015/16 £741,518).

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

A net reduction of £304,395 (a contribution of £469,629 in 2015/16) was made to a provision for bad debts. Net of write backs, debts of £414,048 were written off (net write backs of £13,261 in 2015/16).

A provision for appeals relating to rateable value reductions in respect of 2015/16 and prior years has been established following the introduction of the new business rates retention scheme for local government. At 31 March 2017 this provision is £9,190,880 (£9,511,390 at 31 March 2016).

7 Collection Fund Surpluses and Deficits

The deficit of £227,951 at 31 March 2017 (£689,259 deficit at 31 March 2016), 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 2017	31 March 2016
Council Tax:		
Cambridge City Council	26	78
Cambridgeshire County Council	167	503
Cambridgeshire Police & Crime Commissioner	26	80
Cambridgeshire Fire Authority	9	28
Total	**228**	**689**

The deficit of £1,856,417 at 31 March 2017 (£4,422,974 at 31 March 2016) 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 2017	31 March 2016
Non-Domestic Rates:		
Cambridge City Council	743	1,769
Cambridgeshire County Council	167	398
Cambridgeshire Fire Authority	19	44
Central Government	928	2,212
Total	**1,857**	**4,423**

Group Financial Statements

Group Financial Statements for the year ended 31 March 2017

Introduction

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and Cambridge City Housing Company have been consolidated. The Group Accounts are presented in addition to the Council's single entity financial statements and have been prepared in accordance with the Code of Practice on Local Authority Accounting. They comprise:

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

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

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

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

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

As CCHC began trading in 2016/17 the group accounts do not include comparative figures for 2015/16.

Accounting Policies

CCHC has prepared 2016/17 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March..

As a subsidiary, the accounts of CCHC have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full. CCHC expenditure and income, adjusted for transactions with the council, is included on the relevant services lines in the Comprehensive Income and Expenditure Statement; and balance sheet values are similarly incorporated into the relevant heading of the Balance Sheet, removing balances owed between the two parties.

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditures or reduce local taxation) and other reserves. The '(surplus) or deficit on the provision of services line shows the true economic cost of providing services, more details of which are shown in the 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.

Group (£000s)	Council (after the removal of inter group transactions)					Council Share of Cambridge City Housing Company Limited	Total Group Usable Reserves	Council Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	General Fund Balances	Housing Revenue Account Balances	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied					
Balance as at 31 March 2016	**(33,799)**	**(13,757)**	**(23,951)**	**(3,268)**	**(8,200)**	**0**	**(82,975)**	**(597,596)**	**(597,596)**	**(680,571)**
Movement in Reserves During 2016-17										
(Surplus) / deficit on the provision of services	(5,356)	(8,475)	0	0	0	67	(13,764)	0	0	(13,764)
Other Comprehensive Income and expenditure	0	0	0	0	0	0	0	(1,887)	(1,887)	(1,887)
Total Comprehensive income and expenditure	**(5,356)**	**(8,475)**	**0**	**0**	**0**	**67**	**(13,764)**	**(1,887)**	**(1,887)**	**(15,651)**
Adjustments between accounting basis and funding basis under regulations	(81)	7,812	(8,342)	(2,281)	3,969	0	1,077	(1,077)	(1,077)	0
Increase / Decrease in year	(5,437)	(663)	(8,342)	(2,281)	3,969	67	(12,687)	(2,964)	(2,964)	(15,651)
Balance as at 31 March 2017	**(39,236)**	**(14,420)**	**(32,293)**	**(5,549)**	**(4,231)**	**67**	**(95,662)**	**(600,560)**	**(600,560)**	**(696,222)**

Group Expenditure and Funding Analysis

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

Group (£000s)	2016/17		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Communities	5,368	2,369	7,737
Streets and Open Spaces	5,310	1,006	6,316
Environmental Services and City Centre	4,097	559	4,656
Planning, Policy and Transport	(2,845)	2,736	(109)
General Fund Housing	3,405	762	4,167
Housing Revenue Account	(16,840)	9,216	(7,624)
Finance and Resources	1,332	1,464	2,796
Strategy and Transformation	4,105	172	4,277
Other non-HRA Housing Services (Cambridge City Housing Company)	0	0	67
Net Cost of Services	**3,932**	**18,284**	**22,283**
Other Income and Expenditure	(10,032)	(26,015)	(36,047)
Surplus or Deficit	**(6,100)**	**(7,731)**	**(13,764)**
Opening General Fund and HRA Balance	**(47,556)**		
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(6,100)		
Closing General Fund and HRA Balance at 31 March*	**(53,656)**		

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

Group Comprehensive Income and Expenditure Statement

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

Group (£000s)	Notes	2016/17		
		Gross Expenditure	Gross Income	Net Expenditure
Communities		8,325	(588)	7,737
Streets and Open Spaces		9,506	(3,190)	6,316
Environmental Services and City Centre		7,357	(2,701)	4,656
Planning, Policy and Transport		13,704	(13,813)	(109)
General Fund Housing		5,746	(1,579)	4,167
Housing Revenue Account		33,665	(41,289)	(7,624)
Finance and Resources		42,374	(39,578)	2,796
Strategy and Transformation		4,568	(291)	4,277
Other Non HRA Housing Services (Cambridge City Housing Company Limited)		92	(25)	67
Cost of Services		**125,337**	**(103,054)**	**22,283**
Other operating expenditure		1,251	(6,084)	(4,833)
Financing and investment income and expenditure	5	14,220	(21,868)	(7,648)
Taxation and non-specific grant income		0	(23,566)	(23,566)
(Surplus) / deficit on provision of services		**140,808**	**(154,572)**	**(13,764)**
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				(5,632)
Remeasurements of the net defined benefit liability				3,293
				(2,339)
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				452
Other comprehensive (income) / expenditure				**452**
Total comprehensive (income) / expenditure				**(15,651)**

Group Balance Sheet

The Balance Sheet shows the value at the stated date of the Councils 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 unrealisable gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

Group (£000s)	Notes	2016/17
Property, Plant and Equipment	7	778,339
Heritage Assets		580
Investment Property		153,706
Intangible Assets		203
Long Term Investments	8	24,585
Long Term Debtors		3,984
Long Term Assets		**961,397**
Short Term Investments		71,158
Assets Held for Sale	9	4,643
Inventories		186
Short Term Debtors		7,056
Cash and Cash Equivalents		15,149
Current Assets		**98,192**
Short Term Borrowing		(82)
Short Term Creditors		(19,024)
Receipts in Advance		(4,312)
Provisions		(4,172)
Current Liabilities		**(27,590)**
Long Term Borrowing		(213,572)
Other Long Term Liabilities		(114,032)
Capital Grants Receipts in Advance		(8,173)
Long Term Liabilities		**(335,777)**
Net Assets		**696,222**
Usable Reserves		(95,662)
Unusable Reserves		(600,560)
Total Reserves		**(696,222)**

Group Cash Flow Statement

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

Group (£000s)	**Notes**	**2016/17**
Cash Flows from Operating activities		
Cash Receipts		176,363
Cash Payments		(151,496)
Net Cash Flows from Operating Activities	10	**24,867**
Net Cash Flows from Investing Activities	11	**(21,084)**
Net Cash Flows from Financing Activities		**2,180**
Net (decrease)/Increase in cash and cash equivalents		**5,963**
Cash and Cash equivalents at the beginning of the year		9,186
Cash and Cash Equivalents at the end of the year.		**15,149**

NOTES TO THE GROUP FINANCIAL STATEMENTS

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1 Group Boundary

Cambridge City Housing Company was incorporated on 15 February 2016 and commenced trading in May 2016. The Council purchased 100% of the share capital, £1, on incorporation. Cambridge City Council Housing Company is a subsidiary for accounting purposes, and has been consolidated into the Council's group accounts.

2 Basis of Consolidation

The financial statements of Cambridge City Housing Company have been consolidated with those of Cambridge City Council on a line by line basis which has eliminated balances, transactions, income and expenditure between the Council and the subsidiary.

3 Business Activity of the Subsidiary

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

4 Accounting Policies

In preparing the Group Accounts the Council has aligned the accounting policies of Cambridge City Housing Company with those of the Council.

5 Financing and Investment Income and Expenditure

Group (£000s)	2016/17	
	Income	Expenditure
Interest payable and similar charges	0	7,498
Impairment of investments	0	11
Net interest on the net defined benefit liability	0	3,768
Trading Activities	(1,365)	1,354
Interest receivable and similar income	(1,296)	0
Income and expenditure in relation to investment properties and changes in their fair value	(19,207)	1,589
	(21,868)	**14,220**

6 Audit costs

(£000s)	2016/17
Ernst and Young LLP - External audit services	57
Ernst and Young LLP - Certification of grant claims and returns	19
Cabinet Office – National Fraud Initiative	2
Ensors LLP – External audit Services	5
Ensors LLP – Accounts and Taxation Services	5
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7 Property Plant and Equipment

Group (£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 2016	**586,941**	**138,449**	**19,726**	**4,262**	**1,173**	**3,682**	**31,853**	**786,086**
Additions	7,533	96	1,154	232	22	1,188	20,065	30,290
Revaluation increases/(decreases) recognised in the revaluation reserve	(12,253)	3,460	0	0	0	3,003	(125)	(5,915)
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	(8,681)	1,314	0	0	0	(321)	0	(7,688)
Derecognition – disposals	(5,076)	(2,285)	0	0	0	0	0	(7,361)
Derecognition – other	(333)	(82)	0	0	0	0	0	(415)
Assets reclassified from Investment Properties	0	245	0	0	0	0	0	245
Assets reclassified (to) / from held for sale	(285)	0	(415)	0	0	0	0	(700)
Assets reclassified (to) / from other categories of property, plant and equipment	11,742	7,482	277	29	0	1,709	(21,239)	0
At 31 March 2017	**579,588**	**148,679**	**20,742**	**4,523**	**1,195**	**9,261**	**30,554**	**794,542**
Accumulated Depreciation and Impairment								
At 1 April 2016	**0**	**(1,679)**	**(11,044)**	**(558)**	**0**	**0**	**0**	**(13,281)**
Depreciation charge	(9,058)	(4,308)	(1,857)	(117)	0	0	0	(15,340)
Depreciation written out to the Revaluation Reserve	8,949	2,573	0	0	0	26	0	11,548
Derecognition – disposals	76	402	0	0	0	0	0	478
Derecognition – other	3	3	0	0	0	0	0	6
Impairments	0	0	0	0	0	0	0	0
Assets reclassified to / from Held for Sale	4	0	382	0	0	0	0	386
Assets reclassified to / from other categories of property, plant and equipment	26	0	0	0	0	(26)	0	0
Other movements	0	0	0	0	0	0	0	0
At 31 March 2017	**0**	**(3,009)**	**(12,519)**	**(675)**	**0**	**0**	**0**	**(16,203)**
Net Book Value								
At 31 March 2017	**579,588**	**145,670**	**8,223**	**3,848**	**1,195**	**9,261**	**30,554**	**778,339**
At 31 March 2016	**586,941**	**136,770**	**8,682**	**3,704**	**1,173**	**3,682**	**31,853**	**772,805**

The Housing Company properties were valued by Wilks Head and Eve as at 31 March 2017 on the basis of current value derived from existing use.

Group (£000s)	Council Dwellings	Other Land and Buildings	Surplus Assets	Total
Valued at fair value as at:				
31 March 2017	579,588	94,582	9,261	683,431
31 March 2016	0	42,706	0	42,706
31 March 2015	0	4,021	0	4,021
31 March 2014	0	3,607	0	3,607
31 March 2013	0	754	0	754
Total Valuation	**579,588**	**138,365**	**9,261**	**734,519**

8 Long Term Investments:

Group (£000s)	2016/17	2016/17
	Carrying Value	Fair Value
Loans and Receivables	10,000	10,000
Available-for-sale assets	14,585	14,585
	24,585	**24,585**

9 Current Assets held for sale

Group (£000s)	2016/17
Balance at 1 April	**4,295**
Assets newly classified as held for sale:	
Property, plant & equipment	314
Assets sold	(249)
K1 Site – change in estimate of value – reverse previous loss in I&E	300
Enhancement expenditure	0
Impairment losses	(17)
Balance at 31 March	**4,643**

10 Operating Activities

The cash flows for the group operating activities include the following items:

Group (£000s)	2016/17
Housing rents	21,004
Revenue Support Grant	1,955
Council Share on non-domestic rates income collected	39,597
Non domestic rates – tariff payment to central government	(33,823)
New Homes Bonus Grant	6,332
Non domestic rates – levy payment to central government	(816)
Section 31 grants received from central government	1,064
Housing Benefit subsidies	39,064
Council share of Council Tax receipts	7,434
Cash paid to and on behalf of employees	(25,017)
Employer national insurance and pension contributions paid	(8,348)
Payments to the capital receipts pool	(1,412)
Housing Benefit paid	(19,387)
Interest received	1,334
Interest paid	(7,497)
Other cashflows	3,383
Net cash flows from operating activities	**24,867**

11 Investing Activities

The cash flows for Group investing activities include the following:

Group (£000s)	2016/17
Purchase of property, plant and equipment and intangible assets	(32,647)
Purchase of short term and long term investments	(86,000)
Proceeds from short term and long term investments	78,537
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	15,490
Other receipts from investing activities	3,536
Investing Activities	**(21,084)**

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 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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 mature in less than three months from the date of acquisition and that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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

4 Changes in Accounting Policies and Estimates and Errors

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

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

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

5 Charges to Revenue for Non-Current Assets

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

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

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

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

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 2.6% (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 Fair value measurement

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

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

10 Financial Liabilities

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

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

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

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

11 Financial Assets

Financial assets are classified into two types:

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

<u>Loans and Receivables</u>

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

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

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

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

<u>Available-for-Sale Assets</u>

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

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

12 Government Grants and Contributions

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

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

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

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

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

13 Intangible Assets

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

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

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

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

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

14 Inventories

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

15 Investment Properties

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

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

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

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

16 Leases

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

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

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

<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.

17 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

18 Property, Plant and Equipment

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

Recognition

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Disposals and non-current assets held for sale

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

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

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

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

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

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

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

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

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

19 Heritage Assets

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

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

Civic Regalia

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

Art Collection

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

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

Cellarer's Chequer

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

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

20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

21 Reserves

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

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

22 Revenue Expenditure Funded from Capital under Statute

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

23 Value Added Tax (VAT)

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

24 Foreign Exchange Translation

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

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 &) 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**

Appendix 2
Reconciliation of Outturn to Expenditure and Funding Analysis 2016/17

£'000s	As reported at outturn	Depreciation	Interest and Property income and expenditure reported differently between Outturn and Statement of Accounts	Other	Net amount Chargeable to General Fund and HRA as per Expenditure and Funding Analysis
Communities	7,228	(1,856)	67	(71)	5,368
Streets & Open Spaces	6,187	(951)	313	(239)	5,310
Environmental Services & City Centre	4,511	(568)	204	(50)	4,097
Planning, Policy and Transport	(933)	(149)	(2,420)	657	(2,845)
General Fund Housing	3,195	(62)	79	187	3,399
Housing Revenue Account	(17,092)	0	398	(146)	(16,840)
Finance & Resources	(5,943)	(2,510)	9,497	288	1,332
Strategy & Transformation	3,800	(42)	90	257	4,105
Net cost of services	**953**	**(6,138)**	**8,228**	**883**	**3,926**