Item

ERNST & YOUNG EXTERNAL AUDIT CONCLUSIONS AND APPROVAL OF STATEMENT OF ACCOUNTS

To:
Civic Affairs Committee 25/07/2018

Report by:
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Wards affected:
None directly affected

1. Introduction

1.1 The external audit of the Statement of Accounts for 2017/18 by Ernst & Young is largely complete and is expected to be concluded before this meeting. Before giving their formal opinion of the accounts there is a requirement to present their audit findings and to obtain a letter of management representation signed by both the Head of Finance and a member on behalf of 'those charged with governance.' Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.

1.2 Ernst & Young will be at the meeting to present and discuss their audit findings.

1.3 For 2017/18 the Accounts and Audit Regulations require that the accounts be approved by 31 July.

2. Recommendations

2.1 That the Committee receive the audit findings presented by Ernst & Young.

2.2 That the Statement of Accounts for the year ending 31 March 2018 be approved.

2.3 That the Chair of the meeting be authorised to sign the Letter of Representation and Statement of Accounts for the financial year ending 31 March 2018 on behalf of the Council.

3. Background

3.1. Approval of the Statement of Accounts for 2017/18 by the Civic Affairs Committee and publication of those accounts is required by 31 July 2018, in line with the Accounts and Audit Regulations. This is the first year of the faster deadline.

3.2 Civic Affairs Committee reviewed accounting policies and significant areas of judgement in relation to 2017/18 on 14 February 2018.

3.3 Draft accounts were published in line with the statutory timescales by 31 May and forwarded to members of the Committee. Ernst & Young have since been carrying out their audit. A revised version of the Statement of Accounts is provided at Appendix 1.

3.4 International Auditing Standards require auditors to communicate a number of matters to those charged with governance, before issuing their audit opinion. Ernst & Young's audit results report is attached at Appendix 2. They will be at the meeting to discuss their report and audit findings.

3.5 International Auditing Standards also require the auditor to have received a letter a Letter of Representation drawn up by the Council that provides written confirmation on matters that might be relevant or significant to the Statement of Accounts. This letter is signed as near as possible to the date of the auditor issuing opinion. The auditing standard requires that the letter is 'discussed and agreed by those charged with governance and signed on their behalf…to ensure that all those charged with governance are aware of the representations on which the auditor intends to rely in expressing the auditor's opinion on those financial statements.' A draft of the letter is included within Ernst & Young's audit results report.

4. Format of the Accounts and Changes for 2017/18

4.1 The preparation of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting 2017/18.

4.2 Although there have been no significant changes to the Code this year, the Council has made changes to the format of the accounts in two areas:

- The cashflow statement is now presented using the indirect method, in line with most other councils. This change was made to enable preparation of the cashflow more efficiently from the new finance system.
- The Expenditure and Funding analysis (Note 1 to the main financial statements) has been expanded to include a reconciliation between the financial position as reported in the statement of accounts to the outturn position reported at scrutiny committees. This should make it easier to see the link between committee reporting and statutory financial reporting.

5. Council Financial Results for 2017/18

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

5.2 The Movement in Reserves Statement (page 3 of the statement of accounts) shows an overall increase in the Council's usable reserves of £17.1 million to £112.4 million.

5.3 There was a net increase of £8.1 million in respect of the capital receipts reserve which can only be used to support capital expenditure.

5.4 General Fund unallocated reserves decreased by £2.0 million to £13.4 million, whilst General Fund earmarked reserves increased by £1.5 million to £24.8 million.

5.5 HRA reserves decreased by £1.2 million to £9.0 million. HRA earmarked reserves increased by £6.9 million to £11.1 million. This increase most notably reflects a 'set-aside' contribution to reserves in respect of possible future debt redemption or reinvestment.

5.6 A more detailed analysis of the movement of both General Fund and HRA earmarked reserve is shown in Note 6 (page 24 of the statement of accounts).

5.7 Note 1 to the main financial statements (page 11 of the statement of accounts) is the Expenditure and Funding Analysis. This note reconciles the outturn position of portfolios reported to scrutiny committees to the movement on General Fund and HRA general and earmarked reserves and the statutory accounting results detailed in the Comprehensive Income and Expenditure Statement.

5.8 The Comprehensive Income and Expenditure Statement (page 5 of the statement of accounts) shows a net surplus on provision of services (measured according to proper accounting practice) of £17.8million, compared to a net surplus of £13.4 million last year. Major reasons for the change include:

- The HRA cost of service includes a net credit for reversal of previous revaluation losses on council houses of £6.6 million (a charge of £8.7 million in 2016/17).
- Financial and investment income includes £2.7 million of revaluation increases in respect of investment properties (£10.3 million in 2016/17).
- Taxation and non-specific grant income includes capital grants of £7.4 million (£1.8 million in 2016/17).
- A book revaluation loss on the Clay Farm Community Centre of £3.1 million charged to the Communities portfolio. In line with other revaluation gains and losses this is not a charge to usable reserves and is a reflection of the revaluation basis required under local authority accounting.

5.9 The balance sheet (statement of accounts page 6) details the value of the Council's assets and liabilities. There has been a significant increase in the value of investment properties during the year reflecting the purchase of properties in Huntingdon, Peterborough, Royston and Cambridge.

6. Group Accounts

6.1 The Council 's group accounts (commencing on page 83 of the statement of accounts) consolidate the performance of the Council subsidiary company, Cambridge City Housing Company (CCHC) Limited and its joint venture entity Cambridge Investment Partnership (CIP) LLP.

6.2 CCHC's accounts show a profit for the year of £351k. Once inter-group transactions are eliminated and accounting policies are aligned total comprehensive income and expenditure for CCHC included in the group accounts is £547k. However, under the Council's accounting policies £565k of this is credited to unusable reserves, leaving a net charge to usable reserves of £18k for the year.

6.3 As a joint venture the Council is required to include its share of the financial results of CIP as a single line in the Income and Expenditure Statement and the Balance Sheet. CIP's draft accounts show a loss of £413k , reflecting the fact that it is in the start-up phase. Taking this into account and an accounting adjustment required for unrealised profit on the sale of Mill Road to the CIP, the consolidated value of the CIP for group accounts purposes is currently £0.

7. Pension Accounting Adjustment

7.1 On the 10 July, BDO, the external auditors of the Cambridgeshire Local Government Pension Scheme (LGPS), informed Ernst & Young of a material difference between the estimate of the assets of the scheme used by the actuary in the reports given to Cambridgeshire councils to use for their year end accounts and the actual year end position.

7.2 The adjustment for the City Council is material and therefore an adjustment will be needed to the accounts as presented in Appendix A. A revised report has been requested from the actuary and an update on the adjustment will be provided at the meeting. The adjustment will increase the Council's share of LGPS pension assets and therefore reduce the net pension liability. It will have no impact on usable reserves as currently stated in the accounts.

8. Closedown and external audit process

8.1 As mentioned above the statement of accounts for 2017/18 is the first to the prepared and audited in line with the new revised deadlines. These deadlines are 31 May for preparation of the accounts (one month earlier than previously) and 31 July for completion of the audit (two months earlier than previously).

8.2 The Council and Ernst & Young have been able to meet these new deadlines by working closely together. For example Ernst & Young brought forward significant amounts of audit testing to pre year end.

8.3 The Council went live with a new Financial Management System on 1 March 2018, so closed the accounts in the new system. Although, this slowed some processes as people were inexperienced in the new system there were no significant issues.

8.4 Both the Council and Ernst & Young will work to look at the lessons learned from this closedown to improve things going forward. This will include a review of the use of the Ernst & Young audit client portal for exchange of audit working papers which was not altogether successful this year.

9. Implications

(a) Financial Implications

Included in the report above

(b) Staffing Implications

None

(c) Equality and Poverty Implications

None

(d) Environmental Implications

None. Paper copies of the Statement of Accounts document will only be produced on request. An electronic version will be available on the Council's website.

(e) Procurement Implications

None

(f) Community Safety Implications

None

10. Consultation and communication considerations

The accounts will be published on the Council's website with a notice advertising that the audit of the accounts has been concluded.

11. Background papers

Background papers used in the preparation of this report:

(a) Statement of Accounts 2017/18

12. Appendices

Appendix 1 – Statement of Accounts 2017/18

Appendix 2 – Ernst & Young Audit Results Report

13. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Charity Main, Principal Accountant (Technical & Financial Accounting), tel: 01223 - 458152, email: charity.main@cambridge.gov.uk.

Appendix 1

CAMBRIDGE
CITY COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDING
31 MARCH 2018

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

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Narrative Report

The Statement of Accounts, set out on pages 1 to 121, contain a series of statements, summarising the financial implications to the Council of delivering services in the period from 1 April 2017 to 31 March 2018. 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 presented. The key financial statements are as follows:

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

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

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

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

Review of 2017/18

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 2018, alongside a review of the financial performance for the year.

Corporate Plan – Review of 2017/18

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.

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

Deliver sustainable prosperity for Cambridge and fair shares for all

- Spent just over £255,000 of additional money from a Sharing Prosperity Fund to deliver 21 projects set out in our Anti-Poverty Strategy to improve the lives of local people living on low incomes in the city.
- Over 110,000 people, including low income families, attended our Community Centres during the year to participate in a wide range of activities.
- Funded over 100 voluntary and community groups to deliver services and activities to support vulnerable people in local communities.
- Our Children and Young People's Participation Service provided just over 700 sessions, which were attended by 25,000 children
- Continued to ensure that vital local legal, debt and money advice is available free to city residents in most need by providing Cambridge Citizens Advice Bureau with £260,000 of community grant.

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

- Investigated nearly 300 complaints concerning housing standards and empty properties and served 39 enforcement notices to bring about improvements.
- Helped bring back into use 26 empty homes and trained 48 landlords in good housing management practice.
- Just over 400 new affordable homes were completed, 190 of those from the council's own programme, providing a mix of social housing for rent, shared ownership and intermediate rent.
- Prevented or relieved from homelessness for just over 1,200 people.
- Supported 1,100 people living within council sheltered housing schemes and funded a project to reduce pensioner poverty.

Make Cambridge safer and more inclusive

- Dealt with just over 1,700 complaints relating to noise nuisance, served a total of 32 abatement notices and successfully prosecuted two individuals.
- Dealt with over 300 cases of antisocial behaviour, of which over 100 involved intensive casework.
- Provided grant aid support to a Dual Diagnosis Street Team (DDST), working with rough sleepers who have both substance misuse and mental health problems.
- Responded to 543 reports of detrimental graffiti, cleaning the affected areas, investigated 1,510 incidents of fly-tipping and removed 935 derelict cycles.

- Continued to prioritise work to reduce domestic violence, supporting the local White Ribbon Campaign and organising local events, such as the play "Chelsea's Choice" to raise awareness of older school children about child sexual exploitation, healthy relationships and s exual consent.

Invest in improving transport

- Worked closely with Cambridge BID and other retailers to look at parking issues and delivery vehicle movements in Cambridge to try to move people away from using their car and reduce congestion, in a way that does not adversely affect local trade.
- Continued to work in partnership to help deliver Greater Cambridge Partnership infrastructure schemes, such as the Chisholm Trail and cross city cycling, to support the sustainable growth of the city.
- Looking, with partners, at the feasibility of a railway station in the South of Cambridge.
- Spent £1.9m on structural and equipment improvements in our multi-storey car parks, improving drainage and replacing deck coating, to make the customer experience better.
- Installed energy efficient lighting and recharging facilities in our car parks to encourage electric vehicles and sought to discourage long-stay parking, to help make the city cleaner and greener.

Protect our City's unique quality of life

- Continued to provide accessible swimming pools and s ports facilities with just over 800,000 visits during the year.
- Provided a free exercise referral scheme for people attending two GP Health Centres located in disadvantaged areas in the city, with 120 individuals participating.
- Supported the development of the "My Cambridge" card to promote the involvement of children and young people in local arts and culture programmes.
- Carried out environmental improvements, including providing new quality bus shelters, way-finding path lighting, watercourse improvements and various streetscape improvements across the city.
- Continued to implement our Tree Strategy, to protect and manage our tree stock, processing over 500 applications for works to protected private trees and served 32 tree preservation orders.

Protect essential services and transforming council delivery

- Dealt with just over 350,000 contacts at our Council's Customer Service Centre and used self-serve technologies to improve our performance with a c all answer rate of 88% of calls answered and short customer waiting times.
- Continued to build on the success of our existing shared services with nearby local authorities and during the year successfully appointed a Head of Service for the Shared Internal Audit Service and moved closer to a Shared Planning Service between us and South Cambridgeshire district council with the implementation of a new management structure.
- Developed a new commercial strategy for the council and improved our in-house procurement skills leading to savings in the region of £18,000 per procurement exercise.

- Adopted a new shared financial management system to reduce our operational costs by replacing the three separate finance systems used by the Council, South Cambridgeshire and Huntingdonshire District Councils.
- Secured planning consent for a new operational depot and office premises for our Streets and Open Spaces service at Cowley Road. We also secured capital funding to enable us to bring our S&OS waste handling/ transport in house with associated financial savings and commercial trading opportunities

Tackle climate change, and making Cambridge cleaner and greener

- Collected just over 50,000 tonnes of materials for recycling from the blue and green bins and recycling points across Cambridge and South Cambridgeshire, achieving a collection rate of just over 99%, and diverting nearly 50% of all household waste from landfill
- Published a five year Air Quality Action Plan for Cambridge setting out the key actions the council and its partners will take forward to ensure improvements to air quality in the city.
- Secured a grant award of £428,000 from the Office for Low Emission Vehicles and £100,000 from the Greater Cambridge Partnership (GCP), coupled with £100,000 from the council's own capital programme to take forward the installation of 21 Fast and Rapid Charge Points for electric taxis by 2020.
- Continued to apply the council's planning document on sustainable construction and energy and water efficiency to all major developments, achieving certification to Code Levels 4 and 5 and ensuring housing schemes met water efficiency requirements of no more than 110 litres/person/day.
- Made improvements to the solar thermal system and hot water system at our Abbey Leisure Complex to utilise more of the heat generated, reducing gas and electricity consumption and worked on a climate change adaptation plan for Cambridge to help address the risks identified in the UK Climate Change Risk Assessment 2017 and informed residents how to cope in a heat-wave.

Review of Financial Performance 2017/18

Revenue Spending and Income

General Fund Services

For 2017/18, the Council agreed a budget for net spending by committees of £22.9 million. The Council Tax for City Council services was set at £186.75 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 budget.

(£000s)	Final Budget	Actual	Difference
Communities	7,476	7,494	18
Streets and Open Spaces	6,443	6,130	(313)
Environmental Services and City Centre	4,188	4,462	274
Planning, Policy and Transport	(1,195)	(1,202)	(7)
General Fund Housing	3,597	3,196	(401)
Finance and Resources	(4,753)	(5,501)	(748)
Strategy and Transformation	7,119	6,324	(795)
Total Portfolio Expenditure	**22,875**	**20,903**	**(1,972)**
Capital accounting adjustments	(6,099)	(6,101)	(2)
Capital Plan Expenditure Funded from General Fund Reserves	2,405	2,703	298
Total	**19,181**	**17,505**	**(1,676)**
Financed by:			
Revenue Support Grant	(1,104)	(1,104)	0
New Homes Bonus	(5,962)	(5,972)	(10)
Non-domestic rates share - net income	(3,396)	(3,623)	(227)
Non-domestic rates reliefs - compensatory government grants	(637)	(1,174)	(537)
Other grants	0	(58)	(58)
Council Tax	(7,807)	(7,807)	0
Net contributions to/(from) earmarked reserves – before year end accounting adjustments	4,080	4,266	186
Contributions to/(from) General Fund Reserves	(4,355)	(2,033)	2,322
Total	**(19,181)**	**(17,505)**	**1,676**

The Council's actual net portfolio revenue expenditure was £1,972,000 less than the final budget set for the year. A variety of factors contributed to this overall position but the single largest factor was an underspend on staff costs (net of agency costs).

Under statutory regulation the amount of business rates credited to the General Fund in 2017/18 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 £764,000 above the budget.

As noted above the outturn presentation differs from that required by the Code for the Statement of Accounts. Note 1 to the Statement of Accounts reconciles the difference between the total spend as reported at outturn with the amount chargeable to the General Fund and that presented in the Comprehensive Income and Expenditure Statement.

Overall, a net contribution from General Fund reserves of £2,031,000 has been reflected in the financial statements against a budgeted use of reserves of £4,355,000. At the 31 March 2018 the reserve stood at £13,381,000.

Housing Revenue Account

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Scrutiny Committee in June 2018, with the final budget for 2017/18.

(£000s)	Final Budget	Actual	Difference
Dwellings Rents and Other Income	(41,557)	(41,989)	(432)
Expenditure	25,916	24,780	(1,136)
Net cost of HRA services	**(15,641)**	**(17,209)**	**(1,568)**
Interest receivable on HRA balances	(589)	(602)	(13)
Loan Interest	7,502	7,506	4
Direct Revenue Financing of Capital	4,614	4,519	(95)
Contributions from HRA earmarked reserves to General HRA reserves – before statutory adjustments	6,556	6,945	389
(Surplus) / deficit for the year	**2,442**	**1,159**	**(1,283)**

Income was over-achieved, due to a combination of a reduction in the number of right to buy sales in the last quarter of the year, occupation of some of the new build homes taken hand over of in the latter stages of 2017/18 and i ncreased service charges, particularly in respect of new build properties, where the services required are higher than in older properties due to the design of the buildings and the nature of the estates.

There was a s ignificant underspend in repairs and maintenance, a large proportion of which resulted from the planned maintenance external painting programme, with a change in contractor and the need for some remedial works to be done in advance of investment following receipts of survey results. Investment in services as part of the Housing Transformation Programme was not completed in full during 2017/18, and some of this work will be delivered in 2018/19 instead.

Employee related costs were lower across the HRA than budgeted, due to vacancies resulting from service restructures, and the HRA’s contribution to corporate change projects was less than anticipated in 2017/18.

There was a small underspend in direct revenue funding of capital of £95,000, which has been rephased into 2018/19. Overall the outturn position was a call on HRA reserves of £1,159,000 against a budget that assumed a contribution from reserves of £2,442,000. HRA reserves stood at £9,020,000 at 31 March 2018.

The net cost of HRA services as reported at outturn of £17,209,000 is reconciled to that charged to the Housing Revenue Account and that presented in the Comprehensive Income and Expenditure Statement in Note 1 to the Statement of Accounts.

Earmarked Reserves

There was an overall increase in General Fund earmarked reserves of £1,451,000 in 2017/18. This reflected a number of factors including contribution (net of expenditure) of £477,000 to support the Greater Cambridge Partnership and contributions of £500,000 and £718,000 respectively to the Invest for Income and A14 Mitigation Fund earmarked reserves.

There was an overall increase in HRA earmarked reserves of £6,884,000. A contribution of £6,770,000 was made to a fund for possible future redevelopment or debt redemption.

Capital Spending and Receipts

In 2017/18 the Council spent £27,896,000 on property, plant and equipment. Of this £6,403,000 was on major repairs and improvements to council dwellings, £2,193,000 on vehicles, plant and equipment and £17,831,000 on assets in the course of construction. Of the assets in the course of construction spend £11,047,000 was on new housing developments. £23,065,000 was transferred from assets in the course of construction to HRA dwellings on completion of new homes, including over 100 at Clay Farm and others on sites at Ekin Road, Water Lane and Fulbourn Road.

Expenditure in the year on assets in the course of construction also included £3,659,000 on the new multi-agency community centre at Clay Farm added to expenditure in prior years. This centre opened towards the end of the year with £6,373,000 being transferred from Assets Under Construction to Land and Buildings and £4,967,000 of expenditure was transferred to Assets Held for Sale representing the share of construction costs for flats which were then disposed of on a long lease to a housing association.

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. Disposal proceeds were £26,334,000 in the year of which £11,550,000 was in relation to the disposal of housing properties. £961,000 of housing receipts had to be paid over to central government.

Disposal proceeds included deferred receipts in relation to the disposal of the Mill Road depot to Cambridge Investment Partnership LLP (a venture in which the Council has a 50% interest) to facilitate the redevelopment of site for a mix of affordable and market housing. The Council also disposed of a site at Orchard Park to a co-housing group for redevelopment.

The Council's future commitments under capital contracts are detailed further in Note 18 to the accounts.

Assets

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. As a result of asset revaluations and the capital expenditure discussed above (and net of asset disposals) the value of Property, Plant and Equipment increased by £24,609,000 to £795,643,000 and the value of Investment Property increased by £21,575,000 to £175,281,000 as at 31 March 2018. 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 £213.6 million shown in the Balance Sheet at the end of the financial year relates to borrowing undertaken in 2011/12 to meet a one-off debt settlement payment to Central Government in relation to new Self-Financing arrangements for the Housing Revenue Account.

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £116.4 million at 31 March 2018. This liability has no impact on the level of the Council's usable reserves.

The net pension liability has increased this year by £ 2.4 million. This net figure reflects a number of factors including an increase in the discount rate used by the actuary to estimate the Council's scheme liabilities. Further information on this change and relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented in note 36.

Cash flows

The balance of cash and cash equivalents at 31 March 2018 was £8,248,000. This excludes the Council's investments in fixed term deposits and other longer term investments which are detailed in note 22. Further information on cash flows for the year can be found in the cash flow statement and accompanying notes.

Council Staff

The number of staff employed by the Council fell during the year from 725 full time equivalents at 31 March 2017 to 698 at 31 March 2018.

Trade Union Facility Time

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

Group Performance

The accounts include the group accounts which include the performance of the Council's wholly owned subsidiary, Cambridge City Housing Company and that of the Cambridge Investment Partnership LLP, a joint venture.

Looking ahead to 2018/19

Following on from previous shared service arrangements, with both South Cambridgeshire and Huntingdonshire District Councils, the Council began sharing planning services with South Cambridgeshire on 1 April 2018.

The Council will conclude the relocation of services from Mill Road depot and occupy new premises in Cowley Road. It will also begin a major IT upgrade with the introduction of 'Council Anywhere' which will allow staff to work more flexibly.

The Council continues to explore sites for redevelopment and the provision of new affordable homes with Cambridge Investment Partnership LLP. The Council purchased a site off Cromwell Road in June 2018.

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. There remains 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. This period opens on the 1 June for 30 working days. The availability of the accounts for public inspection is advertised 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 Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Head of Finance's Responsibilities

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

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

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

The Head of Finance has also:

- kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other 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 2018 and its income and expenditure for the year then ended.

Caroline Ryba
Head of Finance
Date: July 2018

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 2017/18

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2017	**(15,412)**	**(23,377)**	**(10,179)**	**(4,241)**	**(32,293)**	**(5,549)**	**(4,231)**	**(95,282)**	**(600,560)**	**(695,842)**
Movement in reserves during 2017/18	0	0	0	0	0	0	0	0	0	0
(Surplus) / deficit on the provision of services	2,026	0	(19,852)	0	0	0	0	(17,826)	0	(17,826)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(34,134)	(34,134)
Total Comprehensive income and expenditure	**2,026**	**0**	**(19,852)**	**0**	**0**	**0**	**0**	**(17,826)**	**(34,134)**	**(51,960)**
Adjustments between accounting basis and funding basis under regulations (Note 5)	(1,446)	0	14,127	0	(8,194)	(2,605)	(1,184)	698	(698)	0
Net (increase) / decrease before transfers to earmarked reserves	**580**	**0**	**(5,725)**	**0**	**(8,194)**	**(2,605)**	**(1,184)**	**(17,128)**	**(34,832)**	**(51,960)**
Transfers to / from earmarked reserves (Note 6)	1,451	(1,451)	6,884	(6,884)	0	0	0	0	0	0
(Increase) / decrease in Year	**2,031**	**(1,451)**	**1,159**	**(6,884)**	**(8,194)**	**(2,605)**	**(1,184)**	**(17,128)**	**(38,832)**	**(51,960)**
Balance at 31 March 2018	**(13,381)**	**(24,828)**	**(9,020)**	**(11,125)**	**(40,487)**	**(8,154)**	**(5,415)**	**(112,410)**	**(635,392)**	**(747,802)**

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	(4,909)	0	(8,475)	0	0	0	0	(13,384)	0	(13,384)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(1,887)	(1,887)
Total Comprehensive income and expenditure	**(4,909)**	**0**	**(8,475)**	**0**	**0**	**0**	**0**	**(13,384)**	**(1,887)**	**(15,271)**
Adjustments between accounting basis and funding basis under regulations (Note 5)	(81)	0	7,812	0	(8,342)	(2,281)	3,969	1,077	(1,077)	0
Net (increase) / decrease before transfers to earmarked reserves	**(4,990)**	**0**	**(663)**	**0**	**(8,342)**	**(2,281)**	**3,969**	**(12,307)**	**(2,964)**	**(15,271)**
Transfers to / from earmarked reserves (Note 6)	5,590	(5,590)	275	(275)	0	0	0	0	0	0
(Increase) / decrease in 2016/17	**600**	**(5,590)**	**(388)**	**(275)**	**(8,342)**	**(2,281)**	**3,969**	**(12,307)**	**(2,964)**	**(15,271)**
Balance at 31 March 2017	**(15,412)**	**(23,377)**	**(10,179)**	**(4,241)**	**(32,293)**	**(5,549)**	**(4,231)**	**(95,282)**	**(600,560)**	**(695,842)**

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	2017/18			2016/17		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Communities		12,230	(795)	11.435	8,325	(588)	7,737
Streets and Open Spaces		10,286	(2,937)	7,349	9,506	(3,190)	6,316
Environmental Services and City Centre		7,723	(2,680)	5,043	7,357	(2,701)	4,656
Planning, Policy and Transport	4	12,554	(12,845)	(291)	13,704	(13,813)	(109)
General Fund Housing		6,428	(1,668)	4,760	5,746	(1,585)	4,161
Housing Revenue Account	4	19,671	(41,437)	(21,766)	33,665	(41,289)	(7,624)
Finance and Resources		42,493	(39,736)	2,757	42,374	(39,578)	2,796
Strategy and Transformation		6,085	(856)	5,229	5,162	(291)	4,871
Cost of Services		**117,470**	**(102,954)**	**14,516**	**125,839**	**(103,035)**	**22,804**
Other operating expenditure	7	3,119	(4,543)	(1,424)	1,251	(6,084)	(4,833)
Financing and investment income and expenditure	4/8	13,831	(16,000)	(2,169)	14,220	(22,009)	(7,789)
Taxation and non-specific grant income	4/9	0	(28,749)	(28,749)	0	(23,566)	(23,566)
(Surplus) / deficit on provision of services	**1**	**134,420**	**(152,246)**	**(17,826)**	**141,310**	**(154,694)**	**(13,384)**
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) / deficit on revaluation of non-current assets and impairments losses charged to revaluation reserve	4/32			(30,819)			(5,632)
Re-measurements of the net defined benefit liability	4/32			(2,643)			3,293
				(33,462)			**(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				**(672)**			**452**
Other comprehensive (income) / expenditure				**(34,134)**			**(1,887)**
Total comprehensive (income) / expenditure				**(51,960)**			**(15,271)**

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 2018	31 March 2017
Property, Plant and Equipment	14	795,643	771,034
Heritage Assets		669	580
Investment Property	19	175,281	153,706
Intangible Assets		318	203
Long Term Investments	22	32,775	32,085
Long Term Debtors	23	11,512	3,984
Long Term Assets		**1,016,198**	**961,592**
Short Term Investments	22	73,176	71,158
Assets Held for Sale	24	67	4,643
Inventories		151	186
Short Term Debtors	25	17,832	7,177
Cash and Cash Equivalents	26	8,248	15,015
Current Assets		**99,474**	**98,179**
Short Term Borrowing	35	(82)	(82)
Short Term Creditors	27	(22,873)	(19,586)
Receipts in Advance	28	(4,272)	(4,312)
Provisions	29	(4,467)	(4,172)
Current Liabilities		**(31,694)**	**(28,152)**
Long Term Borrowing	35	(213,572)	(213,572)
Other Long Term Liabilities	36	(116,396)	(114,032)
Capital Grants Receipts in Advance	30	(6,208)	(8,173)
Long Term Liabilities		**(336,176)**	**(335,777)**
Net Assets		**747,802**	**695,842**
Usable Reserves	31	(112,410)	(95,282)
Unusable Reserves	32	(635,392)	(600,560)
Total Reserves		**(747,802)**	**(695,842)**

These financial statements replace those authorised for issue on 29 May 2018.

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 period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a k ey 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 m ade 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	2017/18	2016/17
Net surplus or (deficit) on the provision of services		17,826	13,384
Adjustment to surplus or deficit on the provision of service for noncash movements	37	32,338	34,327
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	37	(33,660)	(22,872)
Net cash flows from operating activities		**16,504**	**24,839**
Net cash flows from investing activities	38	(25,705)	(21,190)
Net cash flows from financing activities	39	2,434	2,180
Net increase / (decrease) in cash and cash equivalents		**(6,767)**	**5,829**
Cash and cash equivalents at the beginning of the year	26	15,015	9,186
Cash and cash equivalents at the end of the year	26	**8,248**	**15,015**

NOTES TO THE MAIN FINANCIAL STATEMENTS

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1 Expenditure and Funding Analysis

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

Financial year 2017/18

(£000s)	As reported at Outturn	Depreciation and Amortisation	Interest and property income reported below net cost of services in the Statement of Accounts	Other	Net amount chargeable to the General Fund and HRA Balances	Adjustments for Capital purposes	Net Change for Pensions Adjustments	Other Differences	Net Expenditure in the Comprehensive Income and Expenditure Statement
Communities	7,494	(1,869)	81	(53)	5,653	5,372	411	(1)	11,435
Streets and Open Spaces	6,130	(971)	393	(88)	5,464	1,061	824	0	7,349
Environmental Services and City Centre	4,462	(355)	211	(32)	4,286	355	402	0	5,043
Planning, Policy and Transport	(1,202)	(1,552)	110	302	(2,342)	1,325	726	0	(291)
General Fund Housing	3,196	(67)	107	173	3,409	887	414	50	4,760
Housing Revenue Account	(17,209)	0	440	61	(16,708)	(5,436)	378	0	(21,766)
Finance and Resources	(5,501)	(1,250)	7,736	125	1,110	1,241	406	0	2,757
Strategy and Transformation	6,324	(25)	107	(212)	6,194	595	(1,561)	1	5,229
Net Cost of Services	**3,694**	**(6,089)**	**9,185**	**276**	**7,066**	**5,400**	**2,000**	**50**	**14,516**
Other income and expenditure					(12,209)	(22,070)	3,007	(1,070)	(32,342)
(Surplus) / deficit for the year					**(5,143)**	**(16,670)**	**5,007**	**(1,020)**	**(17,826)**
Plus Opening General Fund and HRA Balance					(53,210)				
Closing General Fund and HRA Balance at 31 March 2018					**(58,353)***				

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

Financial year 2016/17 (as re-presented see Note 42)

(£000s)	As reported at Outturn	Depreciation and Amortisation	Interest and property income reported below net cost of services in the Statement of Accounts	Other	Net amount chargeable to the General Fund and HRA Balances	Adjustments for Capital purposes	Net Change for the Pensions Adjustments	Other Differences	Net Expenditure in the Comprehensive Income and Expenditure Statement
Communities	7,228	(1,856)	67	(71)	5,368	2,381	(12)	0	7,737
Streets and Open Spaces	6,187	(951)	313	(239)	5,310	1,030	(24)	0	6,316
Environmental Services and City Centre	4,511	(568)	204	(50)	4,097	568	(9)	0	4,656
Planning, Policy and Transport	(933)	(149)	(2,420)	657	(2,845)	2,756	(20)	0	(109)
General Fund Housing	3,195	(62)	79	187	3,399	772	(12)	2	4,161
Housing Revenue Account	(17,092)	0	398	(146)	(16,840)	9,200	16	0	(7,624)
Finance and Resources	(5,943)	(2,510)	9,497	288	1,332	1,478	(14)	0	2,796
Strategy and Transformation	3,800	(42)	90	851	4,699	(112)	284	0	4,871
Net Cost of Services	**953**	**(6,138)**	**8,228**	**1,477**	**4,520**	**18,073**	**209**	**2**	**22,804**
Other income and expenditure					(10,173)	(28,687)	3,768	(1,096)	(36,188)
(Surplus) / deficit for the year					**(5,653)**	**(10,614)**	**3,977**	**(1,094)**	**(13,384)**
Plus Opening General Fund and HRA Balance					(47,556)				
Closing General Fund and HRA Balance at 31 March 2017					**(53,209*)**				

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

Income and expenditure is analysed subjectively as follows:

(£000s)	2017/18	2016/17
Employee benefit expenses	36,700	35,640
Other service expenses	68,973	70,098
Depreciation, amortisation and impairment	15,704	22,763
Interest Payments and investment income expenses	12,082	11,275
Payments to Housing Capital Receipts Pool	961	1,534
Total Expenditure	**134,420**	**141,310**
Fees, charges and other service income	(64,049)	(65,088)
Interest and investment income	(14,111)	(20,635)
Income from Council Tax	(7,830)	(7,404)
Income from non-domestic rates	(4,655)	(5,298)
(Gain) or loss on the disposal of non-current assets	(4,543)	(6,084)
Government grants, contributions and donations	(57,058)	(50,185)
Total Income	**(152,246)**	**(154,694)**
Surplus or Deficit on the Provision of Services	**(17,826)**	**(13,384)**

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

(£000s)	2017/18	2016/17
Communities	(480)	(401)
Streets and Open Spaces	(2,887)	(3,148)
Environmental Services and City Centre	(2,681)	(2,694)
Planning, Policy and Transport	(12,677)	(13,697)
General Fund Housing	(837)	(1,019)
Housing Revenue Account	(41,408)	(41,289)
Finance and Resources	(743)	(1,198)
Strategy and Transformation	(447)	(268)
Financing and Investment Income	(1,889)	(1,374)
Fees, charges and other service income	**(64,049)**	**(65,088)**

In addition to this external income, interest and investment income above includes rental income from the Council’s investment property portfolio of £9,941,000 (£8,946,000 in 2016/17).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 103 to 121, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

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

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The net pension liability at 31 March 2018 is estimated to be £116.4 million (£114.0 million at 31 March 2017) and the estimated effects on the liability of changes in individual assumptions is disclosed in Note 36.

Property, Plant and Equipment

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

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall. It is estimated that the annual depreciation charge for assets would increase by approximately £1,064,000 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 2018 following successful rating valuation appeals. The Council's share of this provision is £4.1 million (£3.7 million as at 31 March 2017) as disclosed in Note 29. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date for the 2010 list. For the 2017 list the estimate is based on an estimate of the likely average reduction in rateable values over the life of the list. 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 15, 20 and 34.

4 Comprehensive Income and Expenditure Account - Material Items of Income and Expenditure

Material Items of Income and Expenditure

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

A net credit for reversal of previous revaluation losses of £6.6 million on council housing stock has been charged to expenditure within the Housing Revenue Account net cost of service line. The comparative figure for 2016/17 includes a net charge of £8.7 million. More detail on the movements in the value of the Council's housing stock can be found in note 14 to the main financial statements.

A net charge for revaluation losses on revaluation of a community centre of £3.1 million has been charged to expenditure within the Communities net cost of service line. A net credit for reversal of previous revaluation losses of £0.4 million (£1.0 million in 2016/17) in respect of car parks has been credited to expenditure within the Planning, Policy and Transport net cost of service line.

Financing and investment income includes gains on the value of investment properties of £2.7 million (£10.3 million in 2016/17).

The Council's share of non-domestic rates income totalling £39.5 million (£39.1 million in 2016/17) and the tariff of £34.8 million (£33.8 million in 2016/17) 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 £28.5 million gain (£3.3 million loss in 2016/17) in respect of the Council's housing stock.

There is a total credit for re-measurements of the Council's net defined benefit pension liability of £2.6 million (total net charge in 2016/17 of £3.3 million). This net figure reflects a number of aspects as detailed in note 36 to the accounts.

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

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

General Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Financial year 2017/18

(£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	(6,557)	(304)	0	(9,716)	0	16,577
Net revaluation (losses)/gains on property, plant and equipment	(2,633)	5,741	0	0	0	(3,108)
Net revaluation (losses)/gains on assets held for sale	(2,067)	(91)	0	0	0	2,158
Movements in the market value of investment properties	2,523	151	0	0	0	(2,674)
Amortisation of intangible assets	(72)	0	0	0	0	72
Revenue expenditure funded from capital under statute and de minims capital expenditure	(1,583)	0	0	0	0	1,583
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(12,346)	(9,244)	0	0	0	21,590
Minimum Revenue Provision	294	0	0	0	0	(294)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(14)	0	0	0	0	14
Capital expenditure charged against General Fund and HRA balances	5,868	4,519	0	0	0	(10,387)

(£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	6,088	1,270	0	0	(7,358)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	6,174	(6,174)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,355	12,653	(17,008)	0	0	0
Other capital receipts	0	26	(26)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(228)	228	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	7,662	0	0	(7,662)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(961)	0	961	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(11)	0	0	11
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sales proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal	9,267	0	0	0	0	(9,267)
Adjustments primarily involving the Major Repairs Reserve:						
Transfer allowed by statute between the HRA and Major Repairs Reserve	0	0	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,111	0	(7,111)

(£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	(22)	0	0	0	0	22
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,892)	(1,764)	0	0	0	11,656
Employer's pension contributions and direct payments to pensioners payable in the year	5,263	1,386	0	0	0	(6,649)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,055	0	0	0	0	(1,055)
Adjustments primarily involving the 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	(12)	12	0	0	0	0
Total adjustments	**(1,446)**	**14,127**	**(8,194)**	**(2,605)**	**(1,184)**	**(698)**

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 fund 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)**

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

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans together with the amounts of earmarked reserves used to meet General Fund and HRA expenditure in 2017/18.

(£000s)	2016/17				2017/18		Balance at 31 March 2018
	Balance at 1 April 2016	Transfers In	Transfers Out	Balance at 31 March 2017	Transfers In	Transfers Out	
General Fund:							
Asset Repair and Renewals Reserves	(2,693)	(1,359)	437	(3,615)	(1,473)	2,125	(2,963)
Insurance Fund	(1,017)	(902)	846	(1,073)	(54)	0	(1,127)
Technology Investment Fund	(129)	0	3	(126)	0	0	(126)
Development Plan Reserve	(255)	(31)	142	(144)	(442)	272	(314)
Revenue Contributions to Capital	(3)	0	0	(3)	0	0	(3)
Efficiency Fund	(136)	0	136	0	0	0	0
Climate Change Fund	(347)	(120)	330	(137)	(250)	43	(344)
Business Rates Retention	(1,769)	(375)	1,401	(743)	0	743	0
Fixed Term Priority Projects	(151)	0	0	(151)	0	0	(151)
Sharing Prosperity	(625)	(300)	349	(576)	(300)	255	(621)
Invest for Income Fund	(6,500)	(1,000)	0	(7,500)	(500)	0	(8,000)
Greater Cambridge Partnership Fund	(1,985)	(3,166)	594	(4,557)	(2,385)	1,908	(5,034)
Office accommodation strategy	0	(3,007)	425	(2,582)	(1,534)	1,357	(2,759)
Contribution to A14 Fund	0	0	0	0	(718)	0	(718)
Other	(2,177)	(582)	589	(2,170)	(913)	415	(2,668)
Total	**(17,787)**	**(10,842)**	**5,252**	**(23,377)**	**(8,569)**	**7,118**	**(24,828)**
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(2,031)	(275)	54	(2,252)	(287)	119	(2,420)
Earmarked for debt redemption / reinvestment	(1,902)	0	0	(1,902)	(6,770)	0	(8,672)
Other	(33)	(66)	12	(87)	(6)	60	(33)
Total	**(3,966)**	**(341)**	**66**	**(4,241)**	**(7,063)**	**179**	**(11,125)**

7 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2017/18		2016/17	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	961	0	1,534
Impairment losses on assets held for sale	0	2,158	0	(283)
(Gains) / losses on the disposal of non-current assets	(4,516)	0	(5,672)	0
Other income	(27)	0	(412)	0
	(4,543)	**3,119**	**(6,084)**	**1,251**

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

(£000s)	2017/18		2016/17	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,494	0	7,498
Impairment of investments	0	0	0	11
Pensions interest expense	0	2,912	0	3,768
Gains and losses on trading accounts	(1,888)	1,645	(1,373)	1,354
Interest receivable and similar income	(1,496)	0	(1,429)	0
Income and expenditure in relation to investment properties and changes in their fair value	(12,616)	1,780	(19,207)	1,589
	(16,000)	**13,831**	**(22,009)**	**14,220**

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

(£000s)	2017/18	2016/17
Council tax income	(7,831)	(7,404)
Net council share of business rates income	(4,655)	(5,298)
Non-ring-fenced government grants	(8,904)	(9,113)
Capital grants and contributions	(7,359)	(1,751)
	(28,749)	**(23,566)**

The business rates income retained by the Council under the business rates retention scheme of £4,655,000 (2016/17- £5,298,000) comprises the Council's share of income of £39,453,000 (2016/17- £39,121,000) less a tariff payment due to central government of £34,798,000 (2016/17- £33,823,000).

10 Members' Allowances

The total allowances paid to members during the financial year 2017/18 were £304,480 (£287,585 in 2016/17) as analysed below. Details of payments to individual members are published annually in a local newspaper.

(£)	2017/18	2016/17
Basic allowance payments	187,737	175,204
Special responsibility payments	114,579	108,717
Childcare allowance	45	475
Travel and subsistence payments:		
Subsistence	0	46
Travel claims	338	544
Travel warrants	1,291	1,083
Taxi fares	69	670
Mileage claims	421	846
	304,480	**287,585**

Additional civic responsibility payments were made to the Mayor and Deputy Mayor outside of the Members Allowances Scheme. These totalled £5,546 in 2017/18 (£5,546 in 2016/17).

11 Related Party Transactions

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

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

Voluntary Organisations

Members of the Council have direct control over the Council's financial and operating policies. During 2017/18 the Council gave grant funding and paid for projects and services totalling £170,733 (£133,942 in 2016/17) to voluntary organisations in which 5 (3 in 2016/17) members or their close family were in positions of influence. £0 (£0 in 2016/17) 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. 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.

The Council made a loan to the company for start-up costs. This totals £124,760 at 31 March 2018 (£124,760 at 31 March 2017) and has been 100% provided for in 2017/18. No interest is due on the repayment. The Council paid £441,555 to the company for services in 2017/18 (£372,570 in 2016/17), together with a s106 grant for artwork of £8,500 (£2,000 in 2016/17) and a further payment towards refurbishment works of £0 (£65,948 in 2016/17).

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 £10,000 (£33,600 at 31 March 2017). At the year-end short term debtors were £2,307 (£1,508 at 31 March 2017).

The Council considers that it has significant influence over Cambridge Live and in group accounting terms Cambridge Live is an associate undertaking. However the results of Cambridge Live have not been consolidated into the group financial statements on the basis of materiality. Based on draft results to March 2018 the Council's share of the deficit for the year would be less than £50,000.

Visit Cambridge and Beyond

The Council transferred the provision of tourism services to Visit Cambridge and Beyond (VCB), a company limited by guarantee, on 1 February 2016. There are 13 directors, of which one is appointed by the City Council. The Council is therefore not considered to have significant influence over the company. As disclosed in note 23 start-up costs of £90,306 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 2018 short term debtors were £13,459 (£2,450 in 2016/17) and short term creditors were £0 (£3,291 in 2016/17)

The Council paid grant subsidy of £48,130 to VCB (£51,780 in 2016/17).

Cambridge Investment Partnership LLP

The Council has a 50 % stake (£100) in a limited liability partnership, Cambridge Investment Partnership (CIP) LLP, with Hill Investment Partnerships Limited, which was incorporated in December 2016. The partnership redevelops land in the Cambridge area, including for affordable housing.

The Council received income of £232,000 from CIP during 2017/18. Including VAT £233,000 was outstanding at 31 March 2018. The Council paid CIP £707,000 (£583,000 for capital works and £124,000 for revenue expenditure) in return for work in respect of housing redevelopment. This was all outstanding at the year end.

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

Hill Investment Partnerships is part of the Hill group of companies. The Council paid £1,799,000 during 2017/18 (£6,267,000 during 2016/17) of which £429,000 (£277,000 at 31 March 2017) was outstanding at the year end to Hill Residential, another Hill Group company, in relation to building of affordable housing and commercial property 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.

In group accounting terms, CIP is a Joint Venture and the Council's share of CIP's financial performance has been consolidated into the group financial statements. CIP made a loss of £413,000 for the period to 31 March 2018.

Cambridge City Housing Company Limited

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

As detailed in Note 22 the Council made a loan to CCHC of £7,500,000 in 2016/17. Interest of £152,000 (£133,000 in 2016/17) on the loan is included in Financing and Investment Income. Interest outstanding at 31 March 2018 was £0 (£133,000 at 31 March 2017).

The Council disposed of dwellings under construction to the company of £6,355,000 during 2016/17.

Revenues of £25,000 on management and staff services and £9,000 of service charges provided by the Council to the company are included in the Comprehensive Income and Expenditure Statement. (£14,000 at the 31 March 2017). The Council also recharged a number of items to the company at cost. Total debtors at 31 March 2018 are £15,000.

The company made a profit of £351,000 for 2017/18 (a loss of £213,000 in 2016/17).

The company has been consolidated into 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 in North West Cambridge.

The University and the Council each appoint two Trustees.

The community centre opened towards the end of the 2017/18 financial year.

The Council incurred and recharged staff management costs of £67,684 to the Trust in relation to 2017/18. There is a debtor balance of £20,880 at 31 March 2018.

In group accounting terms, Storey's Field Community Trust is a Joint Venture, but the Council has not included the Trust's results in the consolidated financial statements on the grounds of materiality. The Council's share of the loss for the period to 31 March 2018 and its share of the net liabilities is in the order of £75,000.

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.

12 Employee Remuneration

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

	2017/18	2016/17
£50,000 to £54,999	5	4
£55,000 to £59,999	2	2
£60,000 to £64,999	1	3
£65,000 to £69,999	3	1
£70,000 to £74,999	7	8
£75,000 to £79,999	0	1
£80,000 to £84,999	0	0
£85,000 to £89,999	1	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 2017/18

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

Notes:

1. The Chief Executive received Election Payments of £8,733 in addition to the above
2. The Strategic Director commenced employment with the Council on 17/07/2017
3. The Head of Finance is shared with South Cambridgeshire District Council (SCDC), although not as Section 151 Officer. SCDC was charged £37,542 for 2017/18.
4. The post of Strategic Advisor (2 days per week) left the Council on 06/09/2017

The Council paid agency fees of £61,680 for the services of a Strategic Director, David Edwards, for the period from 1 April 2017 to 28 July 2017.

The Council shares a Director of Economic Development and Planning with South Cambridgeshire District Council (SCDC). 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 2017/18 was £67,756.

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)	6	72,385	0	0	12,595	84,980
Strategic Advisor (L Bisset)	7	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 1 5 August 2016.
6. The Head of Finance is shared with South Cambridgeshire District Council (SCDC), although not as Section 151 Officer. SCDC was charged £37,542 for 2016/17.
7. 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.

The Council is required to recognise the costs of redundancy in the accounts in line with accounting standards. The number of exit packages recognised in the accounts, analysed between compulsory redundancies and other departures, and the total cost per band are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£0 - £20,000	6	7	0	0	6	7	36	58
£20,001 - £40,000	1	0	0	0	1	0	39	0
Total	**7**	**7**	**0**	**0**	**7**	**7**	**75**	**58**

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.

13 Audit Costs

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

(£000s)	2017/18	2016/17
Ernst & Young LLP - External audit services	83	57
Ernst & Young LLP - Certification of grant claims and returns	19	19
Ernst & Young LLP - Non-audit fee	0	3
	82	**79**

14 Property, Plant and Equipment

Financial year 2017/18

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation								
At 1 April 2017	**579,588**	**141,374**	**20,742**	**4,523**	**1,195**	**9,261**	**30,554**	**787,237**
Opening Adjustment	0	192	0	0	0	0	0	192
Additions	6,403	1,189	2,193	262	18	0	17,831	27,896
Revaluation increases / (decreases) recognised in the revaluation reserve	19,184	3,110	0	0	0	0	(2,045)	20,249
Revaluation increases / (decreases) recognised in the surplus / deficit on provision of services	6,605	(3,495)	0	0	0	0	0	3,110
De-recognition – disposals	(4,643)	0	0	0	0	0	0	(4,643)
De-recognition – other	(177)	(1,165)	6	0	0	0	(4,098)	(5,434)
Assets reclassified from Investment Properties	0	(463)	0	0	0	(1,225)	0	(1,688)
Assets reclassified (to) / from held for sale	(68)	(3,259)	(481)	0	0	0	(5,383)	(9,191)
Assets reclassified to / (from) intangibles	0	0	0	0	0	0	(192)	(192)
Assets reclassified to / (from) other categories of PPE	21,411	7,164	196	371	131	(8,036)	(21,237)	0
Other movements	0	0	(2)	0	0	0	0	(2)
At 31 March 2018	**628,303**	**144,647**	**22,654**	**5,156**	**1,344**	**0**	**15,430**	**817,534**
Accumulated Depreciation and Impairment								
At 1 April 2017	**0**	**(3,009)**	**(12,519)**	**(675)**	**0**	**0**	**0**	**(16,203)**
Opening Adjustment	0	(192)	0	0	0	0	0	(192)
Depreciation charge	(9,395)	(4,471)	(1,649)	(135)	0	(85)	0	(15,735)
Depreciation written out to the Revaluation Reserve	9,290	1,521	0	0	0	0	116	10,927
Derecognition - disposals	73	0	0	0	0	0	0	73
Derecognition - other	0	31	0	0	0	0	0	31
Impairments - Income & Expenditure	0	(540)	0	0	0	0	(304)	(844)
Impairments – Revaluation Reserve	0	(162)	0	0	0	0	(283)	(445)
Assets reclassified to / (from) Investment Properties	0	25	0	0	0	0	0	25
Assets reclassified to / (from) Held for Sale	1	0	471	0	0	0	0	472
Assets reclassified (to) / from other categories of PPE	31	0	0	0	0	85	(116)	0
At 31 March 2018	**0**	**(6,797)**	**(13,697)**	**(810)**	**0**	**0**	**(587)**	**(21,891)**
Net Book Value								
At 31 March 2018	**628,303**	**137,850**	**8,957**	**4,346**	**1,344**	**0**	**14,843**	**795,643**
At 31 March 2017	**579,588**	**138,365**	**8,223**	**3,848**	**1,195**	**9,261**	**30,554**	**771,034**

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)
DE recognition – disposals	(5,076)	(2,285)	0	0	0	0	0	(7,361)
DE recognition – 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**

15 Property - Revaluations

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

Current year revaluations have been performed in accordance with the RICS Valuation – Professional Standards Global January 2017 including the International Valuation Standards and the RICS valuation – Professional Standards UK (January 2014, as amended) and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The valuations were conducted by external valuers apart from two investment properties which were valued by internal valuers.

The RICS registered valuers were:

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

Investment property is valued on a fair value basis and operational property is valued at current value derived on the basis of existing use value except for specialised operational assets which are assessed on the basis of depreciated replacement cost. The opinion of value was primarily derived using comparable recent market transactions on arm's length terms. Further detail on the basis for valuation is set out in the statement of accounting policies on page 115.

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 2017 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 2018. 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.

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

(£000s)	Council Dwellings	Other Land and Buildings	Total
Valued at fair value as at:			
31 March 2018	628,303	87,662	715,965
31 March 2017	0	2,370	2,370
31 March 2016	0	40,861	40,861
31 March 2015	0	3,781	3,781
31 March 2014	0	3,176	3,176
Total Valuation	**628,303**	**137,850**	**766,153**

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

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

16 Property, Plant and Equipment - Depreciation

The majority of the Council’s Property, Plant and Equipment are council dwellings. Flats are assessed as having a remaining life of 44 years and houses 45 years.

The useful lives of other assets are generally estimated as:

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

17 Capital Expenditure and Capital Financing

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

(£000s)	2017/18	2016/17
Opening Capital Financing Requirement	**225,018**	**220,433**
Capital Expenditure		
Property, Plant and Equipment	27,896	29,278
Investment Properties	17,717	417
Intangible Assets	0	0
Non-current assets held for sale	0	0
Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure		
Revenue Expenditure Funded from Capital	1,341	3,779
De-minimis capital expenditure	242	658
Loans Advanced		
Private Sector Housing Improvement Loans	9	44
Loan to group company	0	7,500
Revaluation losses on non-dwelling HRA assets charged to the Comprehensive Statement of Income and Expenditure	0	(135)
Sources of finance		
Capital receipts	(7,662)	(12,347)
Government grants and other contributions	(6,175)	(5,720)
Minimum Revenue Provision	(294)	0
Revenue and reserves	(17,498)	(18,890)
Other movements	0	1
Closing capital financing requirement	**240,594**	**225,018**

18 Capital Commitments

At 31 March 2018, the Council was contractually committed to capital work valued at approximately £7.5 million, as shown in the following table.

(£000s)	31 March 2018	31 March 2017
Property, Plant and Equipment		
Clay Farm Community Centre	0	2,740
Vehicle Asset Replacement Programme	173	134
HRA New Build Properties	3,123	2,435
Housing Capital Programme	284	1,132
Replacement telecommunications and local area network	0	116
Financial Management System	50	0
Car parking control equipment at multi storey car parks	561	0
Grand Arcade and Queen Anne Terrace car parks sprinkler system	272	0
Electric vehicle charge points	180	0
Grant for refurbishment of Memorial Hall and Church Hall in Cherry Hinton	150	0
Office Accommodation Strategy (OAS) projects	1,809	0
Land at Clay Farm	0	595
Grand Arcade Car Park LED lights	0	52
Assets Held For Sale		
Development land on Kings Hedges Road	0	52
Investment Properties		
Clay Farm commercial property construction costs	0	63
Revenue Expenditure Funded from Capital Under Statute		
Land at Clay Farm	560	0
Community Development Grants Programme	265	140
Cambridge City 20 mph Zones Project	80	81
	7,507	**7,540**

19 Investment Properties

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

(£000s)	2017/18	2016/17
Rental income from investment property	(9,941)	(8,946)
Direct operating expenses arising from investment property	523	498
Net gain	**(9,418)**	**(8,448)**

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)	2017/18	2016/17
Balance at start of the year	**153,706**	**144,274**
Additions:		
Subsequent expenditure	82	226
Acquisitions	17,636	190
Unrealised gains/(losses) recognised in Financing and Investment Income line in Surplus/Deficit on the provision of services from fair value adjustments	2,674	10,261
Disposals	(480)	(1,000)
Transfers:		
(To) / from Property, Plant and Equipment	1,663	(245)
Balance at the end of the year	**175,281**	**153,706**
Acquisitions included above measured at historic cost	(11)	(369)
Fair value at year end	**175,270**	**153,337**

20 Fair Value Measurement of Investment Properties

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

Investment properties are classified as Level 3 within the value hierarchy as defined within 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 112.

The valuation is undertaken by Bidwells LLP, on a fair value basis in line with IFRS 13 and in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. Further details of Bidwells approach to the valuations can be found in Note 15.

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

Two investment properties were valued by internal valuers following acquisition during the year. The process followed was the same as that for externally performed valuations.

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 2018 (£'000)	Predominant Valuation technique	Key unobservable inputs	Range
Retail	34,206	Investment	Market Rent (psf) Market Rent (psf ZA) EY Yield	£11.00 - £41.00 £15.25 - £250 5.0% - 16.5%
Central Cambridge Shopping Centres	37,950	Investment	NIY Yield	4.0% - 4.25%
Offices	13,055	Investment	Market Rent (psf) EY Yield	£12.50 - £21.00 8.5% - 9.56%
Industrial	20,020	Investment	Market Rent (psf) EY Yield	£5.50 - £16.25 5.65% - 9.0%
Land	37,590	Investment / Comparable	Market Rent (per acre) NIY Yield EY Yield £/acre	£200 - £55,750 2.83% - 6.15% 6.0% - 10.0% £1,000,000-£1,200,000
Leisure	3,185	Investment	EY Yield	7.49% - 12%
Other	29,264	Investment	Yield	2.4% - 14%
Total	**175,270**			

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.

21 Leases

Council as Lessee

- Finance Leases

The carrying value of investment properties held under finance leases was £2,485,000 at 31 March 2018 (£2,430,000 at 31 March 2017). Secondary lease payments of £2,247 are due until 2035.

These relate to industrial units held under finance leases which are then leased out under operating leases and the total future minimum lease payments are £156,718 at 31 March 2018 (£54,283 at 31 March 2017).

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 £37,400,000 at 31 March 2017 (£38,100,000 at 31 March 2017).

- 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 2018	31 March 2017
Not later than one year	75	205
Later than one year and not later than five years	100	279
Later than five years	0	0
	175	**484**

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

(£000s)	2017/18	2016/17
Minimum lease payments	**254**	**324**

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 2018	31 March 2017
Not later than one year	5,832	3,889
Later than one year and not later than five years	18,529	11,739
Later than five years	105,553	97,436
	129,914	**113,064**

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2017/18, £2,265,320 of contingent rents were receivable by the Council (2016/17 - £2,254,764).

22 Short-Term and Long-Term Investments

(£000s)	2017/18		2016/17	
	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	7,500	0
Other investments	25,275	73,135	24,585	71,117
	32,775	**73,176**	**32,085**	**71,158**

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)	2017/18	2016/17
	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	0
Cash received	0	0

23 Long-Term Debtors

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

(£000s)	31 March 2018	31 March 2017
Mortgages	1	1
Grand Arcade reverse lease premium	188	194
Private sector housing improvement loans	794	832
Sale of land at Kings Hedges	30	30
Deferred property sale proceeds	2,705	2,705
Cambridge Live	0	125
Visit Cambridge and Beyond	90	90
Loan to Cambridge Investment Partnership LLP - deferred sale proceeds	4,667	0
Pension Deficit Contribution Prepayment	3,030	0
Mortgage Repossessions Loans	7	7
	11,512	**3,984**

24 Assets Held for Sale

(£000s)	Current	
	2017/18	2016/17
Balance at 1 April	**4,643**	**4,295**
Assets newly classified as held for sale:		
Property, plant & equipment	8,718	6,669
Assets sold	(11,137)	(249)
Assets disposed of to group company	0	(6,355)
K1 Site – change in estimate of value – reverse previous loss in I&E	0	300
Impairment losses	(2,157)	(17)
Balance at 31 March	**67**	**4,643**

The 2016/17 impairment losses relate to vehicles. The losses in 2017/18 relate to flats at Clay Farm and a property at Water Lane.

25 Debtors

(£000s)	31 March 2018	31 March 2017
Central government bodies	3,542	1,054
Other local authorities	5,048	1,176
NHS bodies	0	18
Deferred capital receipts	4,645	0
Council tax payers (City share)	268	358
National non domestic rate payers (City share)	771	273
Council tax payers (precepting bodies share)	0	643
Housing tenants and leaseholders	591	417
Trade and other	2,967	3,238
	17,832	**7,177**

26 Cash and Cash Equivalents

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

(£000s)	31 March 2018	31 March 2017
Cash held by the Council	9	0
Bank current accounts	(690)	265
Bank deposit accounts	7,429	550
Overnight Money Market Funds	1,500	14,200
	8,248	**15,015**

27 Short-Term Creditors

(£000s)	31 March 2018	31 March 2017
Central government bodies	(8,824)	(7,645)
Other local authorities	(6,268)	(4,033)
Other entities and individuals	(7,781)	(7,908)
	(22,873)	**(19,586)**

28 Receipts in Advance

(£000s)	31 March 2018	31 March 2017
Cambridge City Council share of council tax receipts in advance	(312)	(301)
Cambridge City Council share of non-domestic rates receipts in advance	(994)	(979)
Capital grants receipts in advance	0	(349)
Housing tenants and leaseholders	(702)	(802)
Other	(2,264)	(1,881)
	(4,272)	**(4,312)**

29 Provisions

Insurance Provision

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

Under current insurance arrangements, the Council takes responsibility for meeting the first £10,000 of any liability claim up to a total combined loss in any insurance year of £200,000. For motor claims the Council takes responsibility for meeting the first £10,000 of any claim. For property losses, the Council is responsible for meeting up to £150,000 of claims in respect of General Fund property from the provision and up t o £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 2018 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 2017	**(392)**	**(3,675)**	**(105)**	**(4,172)**
Additional provisions made in 2017/18	(170)	(2,196)	0	(2,366)
Amounts used in 2017/18	114	1,767	96	1,977
Unused amounts reversed in 2017/18	94	0	0	94
Balance as at 31 March 2018	**(354)**	**(4,104)**	**(9)**	**(4,467)**

30 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

(£000s)	2017/18	2016/17
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(1,104)	(1,954)
New Homes Bonus	(5,972)	(6,332)
New Burdens and Transitional Grants	(99)	(61)
Individual Electoral Registration Grants	0	0
Homelessness Grants	0	0
Syrian Resettlement Grant	(442)	(313)
Small Business Rate Relief Grant	(873)	(311)
Other Business Rate Relief Grants	(301)	(26)
Welfare Reform Grants	(112)	(116)
Other Capital grants and contributions	(7,359)	(1,751)
	(16,262)	**(10,864)**
Credited to Services		
Community Housing Grant	0	(52)
Discretionary Housing Payments	(244)	(189)
Rent Allowance and Rent Rebates Admin Subsidy	(369)	(402)
Rent Allowance Subsidy	(19,967)	(19,063)
Rent Rebates Subsidy	(17,459)	(18,218)
Non HRA Rent Rebates Subsidy	(413)	(437)
Other Housing Benefit Grants	(89)	(70)
Flexible Homelessness Support	(283)	0
Preventing Homelessness	(191)	0
	(39,015)	**(38,431)**

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 2018	31 March 2017
Capital Grants Receipts in Advance		
Due within 12 months	0	(349)
Due in more than 12 months	(6,208)	(8,173)
Total	**(6,208)**	**(8,522)**

31 Usable Reserves

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

32 Unusable Reserves

(£000s)	31 March 2018	31 March 2017
Deferred Capital Receipts Reserve	(12,002)	(2,735)
Revaluation Reserve	(171,845)	(148,645)
Capital Adjustment Account	(567,975)	(564,950)
Financial Instruments Adjustment Account	87	65
Pensions Reserve	116,396	114,032
Collection Fund Adjustment Account	(287)	768
Available for Sale Reserve	(221)	450
Accumulated Absences Account	455	455
Total Unusable Reserves	**(635,392)**	**(600,560)**

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)	2017/18	2016/17
Balance at 1 April	**(2,735)**	**(3,979)**
Deferred sale proceeds on disposal of non-current assets	(9,267)	(2,705)
Transfer to the Capital Receipts Reserve upon receipt of cash	0	3,949
Balance at 31 March	**(12,002)**	**(2,735)**

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)	2017/18	2016/17
Balance at 1 April	**(148,645)**	**(147,009)**
Net (gains) / losses on revaluations during the year	(30,981)	(5,632)
Impairment charged to the revaluation reserve	162	0
Amounts written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	3,315	3,054
Accumulated gains on assets sold or scrapped	4,304	942
Balance at 31 March	**(171,845)**	**(148,645)**

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

(£000s)	2017/18	2016/17
Balance at 1 April	**(564,950)**	**(555,750)**
Charges for depreciation and impairment of non-current assets	15,733	15,340
Revaluation losses/(gains) on property, plant and equipment	(3,108)	7,492
Impairment losses on assets held for sale	2,158	(283)
Impairments on property, plant and equipment	844	0
Amortisation of intangible assets	72	89
Revenue expenditure funded from capital under statute and de minimis capital spend	1,583	4,437
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	17,286	13,954
Depreciation in excess of historic cost transfer from revaluation reserve	(3,315)	(3,054)
Use of the Capital Receipts Reserve to finance new capital expenditure	(7,662)	(12,347)
Use of the Major Repairs Reserve to finance new capital expenditure	(7,111)	(5,990)
Application of grants and contributions to capital financing	(6,175)	(5,720)
Repayment of Private sector housing loans	25	43
Minimum Revenue Provision	(294)	0
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(10,387)	(12,900)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,674)	(10,261)
Balance at 31 March	**(567,975)**	**(564,950)**

Pensions Reserve

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

(£000s)	2017/18	2016/17
Balance at 1 April	**114,032**	**106,762**
Re-measurements of the net defined benefit liability/(asset)	(2,643)	3,293
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	11,656	10,400
Employer’s pension contributions and direct payments to pensioners payable in the year	(6,649)	(6,423)
Balance at 31 March	**116,396**	**114,032**

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)	2017/18	2016/17
Balance at 1 April	**768**	**1,847**
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	(23)	(52)
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	(1,032)	(1,027)
Balance at 31 March	**(287)**	**768**

33 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 2018 to the Collection Fund would be in the order of £17.5 million. The Council’s share of this loss would be £7,019,000.

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.

Legal process is being followed in respect of this case.

34 Financial Instruments

Categories of Financial Instrument

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

(£000s)	Long Term		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Investments				
Loans and receivables	17,500	17,500	63,181	61,143
Available-for-sale financial assets	15,225	14,535	9,994	10,015
Unquoted equity investment at cost	50	50	0	0
Debtors				
Loans and receivables	1,110	1,279	10,128	4,443
Available-for-sale financial assets	7,372	2,705	0	0
Creditors & Receipts in Advance				
Financial liabilities at amortised cost	(6,208)	(8,173)	(13,291)	(11,398)
Borrowing				
Financial liabilities at amortised cost	(213,572)	(213,572)	(82)	(82)
	(178,523)	**(185,676)**	**69,930**	**64,121**

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)	2017/18	2016/17
Balance sheet carrying value as at 1 April	**832**	**815**
Adjustment to opening values/other adjustments	0	(3)
Nominal value of new loans recognised in the year	9	44
Interest – increase in discounted amount	13	17
Loans repaid	(25)	(43)
Fair value adjustment	(35)	2
Balance sheet carrying value as at 31 March	**794**	**832**
Loan payments outstanding (nominal value) at 31 March	**880**	**896**

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)	2017/18			2016/17		
	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	7,494	0	0	7,498	0	0
Reductions in fair value	0	35	0	0	2	0
Reversal of losses on impaired financial assets	0	0	0	0	0	0
Impairment losses	0	541	0	0	245	0
Total expense in Surplus on the Provision of Services	**7,494**	**576**	**0**	**7,498**	**247**	**0**
Interest Income	0	(695)	(801)	0	(803)	(626)
Total income in Surplus on the Provision of Services	**0**	**(695)**	**(801)**	**0**	**(803)**	**(626)**
Losses/(gains) on revaluation	0	0	(672)	0	0	452
Deficit/(Surplus) arising on revaluation of financial assets in Other Comprehensive Income & Expenditure	**0**	**0**	**(672)**	**0**	**0**	**452**

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 2018 (£000s)	31 March 2017 (£000s)
Units in CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	15,225	14,535
Enhanced Cash Funds	Level 1	Unadjusted quoted prices in active markets for identical units	9,994	10,015
Proceeds on disposal of assets	Level 2	Present value of sale proceeds	4,666	0
Contingent proceeds on disposal of assets	Level 3	Present value of likely estimated sale proceeds discounted at appropriate rate where material	2,705	2,705
			32,590	**27,255**

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

The estimated proceeds on disposal of assets of £4,622,000 (£2,705,000 in 2016/17) have been reflected in the surplus on disposal as reported in other operating income in the Comprehensive Income and Expenditure Statement. £45,000 unwinding of the discount on sale proceeds (£0 in 2016/17) has been recognised in financing and investment 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 Council has no current intention to dispose of the shareholding.

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

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 2018 of 2.09% (1.51% at 31 March 2017) has been used to calculate the fair value of private sector housing improvement loans
- An estimated interest rate at 31 March 2018 of 1.77% (1.77% at 31 March 2017) has been used to estimate the fair value of the loan to Cambridge City Housing Company.
- Estimated ranges of interest rates at 31 March 2018 of 2.37% to 2.57% 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 generally assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- The fair value of capital contributions received in advance is taken to be the amount received

The fair values are assessed as follows:

(£000s)	31 March 2018		31 March 2017	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial Liabilities at amortised cost				
Current liabilities	(13,291)	(13,291)	(11,398)	(11,398)
Long term liabilities	(6,208)	(6,208)	(8,173)	(8,173)
Short term borrowing	(82)	(82)	(82)	(82)
Long term borrowing	(213,572)	(258,268)	(213,572)	(258,465)
Loans and receivables:				
Long term debtors	1,110	1,110	1,279	1,279
Current debtors	10,128	10,128	4,443	4,443
Long term investments	17,500	17,503	17,500	17,537
Current investments	63,181	63,172	61,143	61,143

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 £310,679,000.

35 Nature and extent of risks arising from financial instruments

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

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

How the Council manages those risks

The Council maintains principles for overall risk management, as well as approved policies covering specific areas, such as Treasury Management. The principles behind how the Council intends to manage overall credit, liquidity and market risk in its investments are contained within the Annual Treasury Management and Investment Strategy report, submitted to full Council before the start of each financial year. This strategy can be amended, but only by full Council. During 2017/18 the Council made no amendments to its investment strategy.

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 2017/18
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	Unchanged
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	Unchanged
Local Authorities only (Long Term to 1 year)	£35m	Unchanged
CCLA Local Authorities Property Fund	£15m	Unchanged
Certificates of Deposit with UK Banks (Included within single counterparties limit)	£15m	Unchanged
AAA Money Market Funds	£15m total per fund	Unchanged
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/V1)	£10m total per fund	Unchanged
UK subsidiary of foreign bank (Santander UK)	£5m	Unchanged
Named Foreign Banks (Svenksa Handlesbanken)	£5m	Unchanged
Certificates of Deposit with the Named Foreign Banks (included within single counterparties limit)	£5m	Unchanged
Building Society (dependent on asset base and investment type)	£2m to £20m	Unchanged
CCLA Local Authorities' Property Fund	£15m	Unchanged

The Council uses the 'creditworthiness service' provided by Link. 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 2018 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 2018					
United Kingdom					
Banks	26,000	7,000	0	0	33,000
Building Societies	2,000	0	0	0	2,000
Local Authorities	8,000	10,000	10,000	10,000	38,000
Total	**36,000**	**17,000**	**10,000**	**10,000**	**73,000**

(£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 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**

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

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

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

(£000s)	31 March 2018		31 March 2017	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	8,607	125	3,984	0
Current and former tenants	1,662	1,393	1,373	1,203
Other debtors	10,382	523	4,742	470
	20,651	**2,041**	**10,099**	**1,673**

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

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

(£000s)	31 March 2018	31 March 2017
Balance at 1 April	**1,673**	**1,600**
Increase in allowance for impairment	416	210
Balances written off during the year	(173)	(137)
Balance at 31 March	**1,916**	**1,673**

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2018, of the total debtor and deferred debtor balances of £20.7 million (£10.1 million at 31 March 2017), the past due amount was £2.4 million (£2.3 million at 31 March 2017) and can be analysed by age as follows:

(£000s)	31 March 2018	31 March 2017
Customer Debts		
Less than three months	540	459
Three to six months	176	403
Six months to one year	295	191
More than one year	1,434	1,244
Balance at 31 March	**2,445**	**2,297**

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

(£000s)	31 March 2018	31 March 2017
Impairment allowance by age of debt		
Less than three months	200	145
Three to six months	93	116
Six months to one year	192	120
More than one year	1,431	1,153
Balance at 31 March	**1,916**	**1,534**

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 2018	31 March 2017
Between 20 and 25 years	64,072	53,393
Between 25 and 30 years	53,393	53,393
Between 30 and 35 years	53,393	53,393
Between 35 and 40 years	42,714	53,393
Between 40 and 45 years	0	0
	213,572	**213,572**

Accrued interest due on the PWLB loans to 31 March 2018 was £82,000 (£82,000 in 2016/17).

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 2017/18, if interest rates on variable rate deposits had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £263,752 (£317,848 in 2016/17).

- 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 34.

The Council has £15 million invested in the Local Authorities' Property Fund.

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 gain of £690,000 in respect of the Local Authorities' Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2017/18. This reflects general movements in the value of the shares over 2017/18. A further movement in the bid price of 5% (positive or negative) would have resulted in a £761,000 gain or loss being recognised in Other Comprehensive Income and Expenditure in 2017/18.

The Council also holds a number of Enhanced Cash Funds, shown in current investments, which are available-for-sale assets and a loss of £18,000 has been recognised in Other Comprehensive Income and Expenditure in 2017/18 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 Housing Company, CIP LLP 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.

36 Defined Benefit Pension Schemes

Participation in pension schemes

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

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

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme in 2017/18 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	
	2017/18	2016/17
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	8,827	6,209
Past service costs (including curtailments)	(83)	409
Effect of settlements	0	14
Financing and Investment Income and Expenditure:		
Net interest cost	2,912	3,768
Total post-employment benefit charged to the surplus or deficit on the provision of services	**11,656**	**10,400**
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)	3,650	(32,451)
Changes in demographic assumptions	0	(2,472)
Changes in financial assumptions	(6,365)	46,014
Other experience changes	72	(7,798)
Total post-employment benefit charged to other comprehensive income and expenditure	**(2,643)**	**2,293**
Total post-employment benefit charged to the comprehensive income and expenditure statement	**9,013**	**13,693**
Movement in reserves statement		
Charges made to the surplus or deficit on the provision of services	11,656	10,400
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	(5,007)	(3,977)
Actual Charges to the General Fund and Housing Revenue Account - Employers' contributions payable to the scheme	**6,649**	**6,423**

Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2017/18	2016/17
Present value of the defined benefit obligation	(327,231)	(322,670)
Fair value of plan assets	210,835	208,638
Net liability arising from defined benefit obligation	**(116,396)**	**(114,032)**

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 £116.4 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)	2017/18	2016/17
Opening balance at 1 April	**(322,670)**	**(277,380)**
Current Service Cost	(8,827)	(6,209)
Past service cost	83	(409)
Effect of settlements	0	(5)
Interest Cost	(8,414)	(9,693)
Contributions by scheme participants	(1,525)	(1,570)
Benefits paid	7,548	8,054
Estimated unfunded benefits paid	281	286
Remeasurements – changes in financial assumptions	6,365	(46,014)
Remeasurements – other experience	(72)	7,798
Remeasurements – changes in demographic assumptions	0	2,472
Closing balance at 31 March	**(327,231)**	**(322,670)**

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

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

(£000s)	2017/18	2016/17
Opening balance at 1 April	**208,638**	**170,618**
Effect of settlements	0	(9)
Interest income on plan assets	5,502	5,925
Contributions by scheme participants	1,525	1,570
Employer Contributions	6,368	6,137
Contributions in respect of unfunded benefits	281	286
Benefits paid	(7,548)	(8,054)
Unfunded benefits paid	(281)	(286)
Remeasurements – return on assets excluding amount in net interest expense	(3,650)	32,451
Closing balance at 31 March	**210,835**	**208,638**

Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets			
	2017/18		2016/17	
	Quoted prices in active markets	Quoted prices not in active markets	Quoted prices in active markets	Quoted prices not in active markets
Cash and cash equivalents	5,770	70	5,961	0
Equity instruments:				
Consumer	5,756	0	5,600	0
Manufacturing	3,889	0	3,628	0
Energy & utilities	4,418	0	4,816	0
Financial Institutions	9,616	0	8,455	0
Health and care	2,173	0	2,215	0
Information technology	1,122	0	921	0
Other	0	0	0	0
Debt securities	0	5,214	0	5,622
Private Equity	0	18,559	0	18,150
Investment Funds and Unit Trusts:				
Equities	0	119,527	0	117,395
Bonds	0	20,564	0	22,009
Other	0	14,157	0	13,866
Closing balance at 31 March	**32,744**	**178,091**	**31,596**	**177,042**

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	
	2017/18	2016/17
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	22.4	22.4
Women	24.4	24.4
Longevity at 65 for future pensioners		
Men	24.0	24.0
Women	26.3	26.3
Rate of increase in salaries	2.7%	2.7%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.7%	2.6%
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 ac tuarial 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 2018	Approximate % increase to Employer Liability	Approximate Monetary amount (£000s)
0.5% decrease in the real discount rate	10%	33,173
0.5% increase in the salary increase rate	1%	4,726
0.5% increase in the pensions increase rate	9%	28,031

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 2019.

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 paid a deficit repair contribution of £8,444,000 during 2017/18 to cover the 3 years until 31 March 2020. £2,501,000 of this contribution has been recognised in respect of 2017/18 – the remainder is held on the balance sheet as a prepayment. The Council expects to release £3,030,000 from the prepayment in 2018/19.

The Council also expects to pay salary-based pension contributions of £3,869,000 in 2018/19.

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.

37 Cash flow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2017/18	2016/17
Interest received	780	842
Interest paid	(7,494)	(7,497)
Dividends received	702	492

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

(£000s)	2017/18	2016/17
Depreciation	15,733	15,340
Impairment and downward valuation	(106)	7,344
Amortisation	72	89
Increase/(decrease) in impairment for bad debts	125	0
Increase/(decrease) in creditors	1,406	1,850
(Increase)/decrease in debtors	(9,098)	524
(Increase)/decrease in inventories	34	74
Movement in pension liability	5,007	3,977
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	21,590	14,896
Other non-cash items charged to the net surplus or deficit on the provision of services	(2,425)	(9,767)
	32,338	**34,327**

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

(£000s)	2017/18	2016/17
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(26,301)	(21,123)
Any other items for which the cash effects are investing or financing cash flows	(7,359)	(1,749)
	(33,660)	**(22,872)**

38 Cash flow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2017/18	2016/17
Purchase of property, plant and equipment, investment property and intangible assets	(45,178)	(31,610)
Purchase of short-term and long-term investments	(79,500)	(86,000)
Other payments for investing activities	(9)	(8,995)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17,034	21,823
Proceeds from short-term and long-term investments	77,500	78,537
Other receipts from investing activities	4,448	5,055
	(25,705)	**(21,190)**

39 Cash flow Statement – Financing Activities

(£000s)	2017/18	2016/17
Other receipts from financing activities	2,434	2,180
Net cash flows from financing activities	**2,434**	**2,180**

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

40 Impact of the adoption of new accounting standards on the financial statements – effective for the 2018/19 financial year

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been *issued* but not yet adopted. This applies to the adoption of new or amended standards within the 2018/19 Code.

The standards introduced by the 2018/19 Code include:

- IFRS9 Financial Instruments
- IFRS15 Revenue from Contracts with Customers
- Amendments to IAS12 Income Taxes: recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS7 Statement of Cashflows.

The introduction of IFRS9 will include a potential change to accounting for investments currently classified as 'available for sale'. Currently unrealised losses on these investments are recognised in other comprehensive income and expenditure and have no impact on the Council's usable reserves. The default treatment in IFRS9 will be to classify investments as fair value through profit or loss which will lead to gains and losses being recognised in usable reserves. However it is not yet clear if the Council may be permitted to reserve such unrealised gains or losses through the Movement in Reserves or if it will be possible to designate a fair value through other comprehensive income treatment.

IFRS9 will also introduce an expected losses rather than incurred losses model for impairments. The council does not expect this to have a material impact on the Statement of Accounts.

The other standards referred to above are not expected to have a significant impact on the Statement of Accounts.

41 Changes in accounting estimates

There have been no significant changes to accounting estimates this year.

42 Changes to the Presentation of the Cash Flow Statement and Expenditure and Funding Analysis

The Cash Flow Statement has previously been presented using the direct method. The Council has changed the method of presentation to the indirect method for the 2017/18 financial statements. The prior year comparatives have been restated using the indirect method.

In the 2016/17 Statement of Accounts the Expenditure and Funding Analysis (EFA) was presented with the primary financial statements. This analysis has been moved to Note 1 to the financial statements. The EFA has also been expanded to include an additional reconciliation to the outturn reported to Members. This additional reconciliation has been added to the prior year comparative.

43 Date the Statement of Accounts were authorised for issue

The audited accounts were authorised for issue by the Council's Section 151 officer on xx July 2018. This is the date up to which events after the balance sheet date have been considered.

44 Events after the Reporting Period

As noted above the unaudited accounts were authorised for issue on xx July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

In June 2018 the Council agreed to provide additional financial support to Cambridge Live, conditional upon app roval of a new business plan in summer 2018. The Council therefore considers that it is likely that it will control Cambridge Live and it will therefore be consolidated as a subsidiary from the effective date of control in the 2018/19 accounts.

In June 2018 the Council purchased a former Ridgeon's site off Cromwell Road in Cambridge for £27 million. This site already has outline planning permission for homes and will be developed by the Cambridge Investment Partnership (CIP) LLP, a joint venture with Hill Partnerships. The plan is to build more than 200 homes, of which at least 90 will be affordable.

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	2017/18	2016/17
Income			
Dwelling rents	2	(36,716)	(36,731)
Non-dwelling rents		(782)	(761)
Charges for services and facilities		(3,274)	(3,089)
Contributions towards expenditure		(635)	(672)
Reimbursement of costs		(30)	(36)
Total		**(41,437)**	**(41,289)**
Expenditure			
Repairs & Maintenance		8,104	7,849
Supervision & Management		6,336	6,429
Rents, rates, taxes & other charges		280	237
Depreciation, impairment & reversal of revaluation losses on non-current assets		4,285	18,612
Increased provision for bad debts		312	141
Total		**19,317**	**33,268**
Net Expenditure		**(22,120)**	**(8,021)**
HRA services share of Corporate and Democratic Core		354	346
HRA services share of pensions past service costs		0	51
Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(21,766)**	**(7,624)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Surplus) or deficit on sale of HRA non-current assets		(3,181)	(5,817)
Other income		(26)	(412)
Impairment losses on assets held for sale		91	0
Interest payable on PWLB loans		7,494	7,494
Interest and Investment Income		(1,194)	(1,021)
Capital Grants and Contributions Receivable		(1,270)	(1,095)
(Surplus) / Deficit for the year on HRA services		**(19,852)**	**(8,475)**

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2017/18	2016/17
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		**(19,852)**	**(8,475)**
Adjustments between accounting basis and funding basis under statute			
Gain on sale of non-current assets		3,181	5,817
Other capital receipts		26	412
Impairment of losses on assets held for sale		(91)	0
Net revaluation (losses)/gains and impairment losses on property, plant and equipment		5,437	(8,680)
Revenue expenditure funded from capital under statute and de-minimus capital expenditure		0	(514)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		1,270	1,095
Movement in investment property value		151	133
Net charges made for retirement benefits made in accordance with IAS19	10	(1,764)	(1,277)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund	10	1,386	1,261
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		12	9
Capital Expenditure funded by the Housing Revenue Account	7	4,519	10,569
Transfer from the Major Repairs Reserve	9	0	(1,013)
Net (increase) / decrease before transfers to or from reserves		**(5,725)**	**(663)**
Transfers to reserves		6,884	275
Total movement on Housing Revenue Account for the year		**1,159**	**(388)**
Housing Revenue Account balance brought forward		**(10,179)**	**(9,791)**
Housing Revenue Account balance carried forward		**(9,020)**	**(10,179)**

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 2018, 1.8% of properties were vacant (1.4% at 31 March 2017).

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

3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2018	1 April 2017	2017/18	2016/17
Dwellings	628,303	579,588	9,332	9,058
Other Land and Buildings	9,190	8,494	148	138
Infrastructure	2,449	2,318	63	57
Vehicles, Plant and Equipment	152	171	25	25
Investment Properties	5,511	5,361	63	0
Intangible Assets	9	14	5	5
Non-current assets held for disposal	67	143	0	0
Surplus Assets	0	5,258	86	0
Assets in the course of construction	10,461	21,291	0	0
	656,142	**622,638**	**9,722**	**9,283**

The value of council dwellings at 1 April 2017, based on vacant possession, was £1,525 million (1 April 2016: £1,545 million). Vacant possession value is the estimate of the total sum that would be received if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

Net revaluation loss reversals on Property, Plant and Equipment of £5.7 million have been credited to the Comprehensive Income and Expenditure Statement in 2017/18 (net revaluation losses charged of £8.8 million in 2016/17). Impairments of £395,000 have been charged to income and expenditure. 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 2017/18 (£7,494,000 in 2016/17). In addition to this, the HRA also paid £12,000 in 2017/18 in respect of interest due on internal borrowing from the General Fund (£9,000 in 2016/17).

5 Housing Stock

The Council was responsible for an average stock of 7,133 dwellings during the year. The stock as at 31 March 2018 was as follows:-

	31 March 2018	31 March 2017
Houses & bungalows	3,541	3,566
Flats	3,051	2,972
Sheltered housing units	511	511
Shared ownership properties (whole property equivalent)	67	47
Total	**7,170**	**7,096**
The change in stock during the year can be summarised as follows:		
Stock at 1 April	**7,096**	**7,077**
Right to buy sales	(47)	(58)
Open market disposals	(1)	(2)
Net shared ownership changes	20	10
New properties	131	75
Other changes	(1)	(2)
Demolitions	(28)	(4)
Stock as at 31 March	**7,170**	**7,096**

Of the properties held at 31 March 2018, 33 are being held as assets under construction as they are undergoing major re-development / refurbishment, 1 is being held pending demolition and 1 is held pending disposal on the open market.

6 Rent Arrears

Rent arrears at 31 March 2018 were £1,651,524 (£1,373,448 at 31 March 2017) and as a proportion of gross rent income have increased from 3.47% in 2016/17 to 4.14% in 2017/18.

At 31 March 2018 a provision for bad debt of £1,392,697 was held in the balance sheet (£1,202,756 at 31 March 2017).

7 Financing of Capital Expenditure

(£000s)	2017/18	2016/17
Capital Expenditure		
Dwellings	6,403	7,533
Land and Buildings	0	0
Surplus assets	0	1,188
Vehicles, Plant and Equipment	7	0
Infrastructure Assets	194	228
Assets under Construction	11,557	13,242
De minimis capital expenditure	0	0
Other adjustments	(7)	514
	18,154	**22,705**
Financed by:		
Capital receipts	4,798	5,501
Major repairs reserve	7,111	5,990
Revenue financing of capital	4,519	10,569
Capital contributions and grants	1,726	645
	18,154	**22,705**

8 Capital receipts within the HRA

(£000s)	2017/18	2016/17
Dwellings	12,680	11,958
Land	0	625
Total receipts	**12,680**	**12,583**
Payable to central government	(961)	(1,534)
Usable capital receipts	**11,719**	**11,049**

9 Major Repairs Reserve (MRR)

(£000s)	2017/18	2016/17
Balance at 1 April	**(5,549)**	**(3,268)**
Transfer to MRR during the year	(9,716)	(9,284)
Amount transferred from MRR to HRA	0	1,013
HRA capital expenditure on housing charged to MRR	7,111	5,990
Balance at 31 March	**(8,154)**	**(5,549)**

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 e mployer 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	2017/18		2016/17	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council Tax	2	(69,310)	0	(65,946)	0
Non domestic rates income			(104,341)	0	(99,494)
Contributions towards previous year's estimated Collection Fund deficit					
Central Government		0	(944)	0	(1,751)
Cambridge City Council		(32)	(755)	(87)	(1,401)
Cambridgeshire County Council		(207)	(170)	(562)	(315)
Cambridgeshire Police & Crime Commissioner		(32)	0	(89)	0
Cambridgeshire Fire Authority		(12)	(19)	(32)	(35)
Transitional protection receipts		0	(21)	0	0
Total Income		**(69,593)**	**(106,250)**	**(66,716)**	**(102,996)**
Council Tax Expenditure					
Cambridge City Council	4	7,839	0	7,439	0
Cambridgeshire County Council	4	49,971	0	47,773	0
Cambridgeshire Police & Crime Commissioner	4	7,839	0	7,497	0
Cambridgeshire Fire Authority	4	2,804	0	2,682	0
Impairment of Council Tax debts	5	931	0	864	0
Non-domestic rates Expenditure					
Cambridge City Council		0	40,874	0	39,973
Cambridgeshire County Council		0	9,196	0	8,994
Cambridgeshire Fire Authority		0	1,022	0	999
Non-domestic rates due to central government		0	51,092	0	49,966
Transitional protection payments		0	0	0	482
Impairment of non-domestic rates debts	6	0	192	0	110
Provision for non-domestic rates appeals	6	0	1,068	0	(320)
Allowable costs of non-domestic Rates Collection		0	226	0	226
Total Expenditure		**69,384**	**103,670**	**66,255**	**100,430**
(Surplus)/Deficit for the year		**(209)**	**(2,580)**	**(461)**	**(2,566)**
(Surplus)/Deficit as at 1 April		**228**	**1,857**	**689**	**4,423**
(Surplus)/Deficit as at 31 March	**7**	**19**	**(723)**	**228**	**1,857**

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 2018 was set at £1,630.71, made up as follows:

(£000s)	2017/18	2016/17
Cambridge City Council	186.75	181.75
Cambridgeshire County Council	1,190.43	1,167.12
Cambridgeshire Police & Crime Commissioner	186.75	183.15
Cambridgeshire Fire Authority	66.78	65.52
Total	**1,630.71**	**1,597.54**

The following table shows the calculation of the Council Tax Base for 2017/18 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2017/18

Valuation Band	Total number of dwellings on the Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc.)	Ratio to Band D	Band D Equivalents
A	4,123	2,956	6/9	1,970
B	10,007	8,214	7/9	6,389
C	18,926	16,495	8/9	14,662
D	9,583	8,199	9/9	8,199
E	5,503	4,741	11/9	5,795
F	3,531	3,106	13/9	4,487
G	3,033	2,521	15/9	4,203
H	478	296	18/9	591
Total	**55,184**	**46,528**		**46,296**
Tax Base adjustments				**(4,319)**
Tax base for Council Tax Setting				**41,977**

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 £69.3 million in 2017/18 was receivable from the following sources:

(£000s)	2017/18	2016/17
Billed to Council Tax payers	69,272	65,954
Transfers (to) / from General Fund	38	(8)
Total	**69,310**	**65,946**

3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2018 was £294,561,174 (£257,360,784 at 31 March 2017) and the Uniform Business Rate in 2017/18 was set by the government at 47.9p (2016/17, 49.7p).

4 Council Tax Expenditure

(£000s)	2017/18			2016/17		
	Precepts and Demands	Distribution of previous years' surplus	Total	Precepts and Demands	Distribution of previous years' surplus	Total
Cambridge City Council	7,839	0	7,839	7,439	0	7,439
Cambridgeshire County Council	49,971	0	49,971	47,773	0	47,773
Cambridgeshire Police and Crime Commissioner	7,839	0	7,839	7,497	0	7,497
Cambridgeshire Fire Authority	2,803	0	2,803	2,682	0	2,682

5 Provision for Non-Payment - Council Tax

A contribution of £931,362 (£863,366 in 2016/17) was made to a provision for bad debts in 2017/18. During 2017/18 £5,067 of debts (net of write off) were written back (2016/17 net write offs of £912,819).

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

A contribution of £197,724 (a net reduction of £304,395 in 2016/17) was made to a provision for bad debts in 2017/18. Net of write offs, write backs of £5,817 were credited to the Fund (net write offs of £414,048 in 2016/17).

A provision is held for appeals relating to rateable value reductions in respect of 2017/18 and prior years. At 31 March 2018 this provision is £10,259,330 (£9,190,880 at 31 March 2017).

7 Collection Fund Surpluses and Deficits

The deficit of £19,218 at 31 March 2018 (£227,951 deficit at 31 March 2017), 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 2018	31 March 2017
Council Tax:		
Cambridge City Council	2	26
Cambridgeshire County Council	14	167
Cambridgeshire Police & Crime Commissioner	2	26
Cambridgeshire Fire Authority	1	9
Total	**19**	**228**

The surplus of £722,953 at 31 March 2018 (deficit of £1,856,417 at 31 March 2017) 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 2018	31 March 2017
Non-Domestic Rates:		
Cambridge City Council	(289)	743
Cambridgeshire County Council	(65)	167
Cambridgeshire Fire Authority	(7)	19
Central Government	(362)	928
Total	**(723)**	**1,857**

GROUP FINANCIAL STATEMENTS

Group Financial Statements for the year ended 31 March 2018

Introduction

In order to provide a full picture of the Council's economic activities and financial position, 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 (The Code). They comprise:

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

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

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

- Cambridge City Housing Company Limited
- Cambridge Investment Partnership LLP

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.

Cambridge Investment Partnership LLP (CIP) was incorporated on 22 December 2016. CIP is a Joint Venture between the Council and Hill Investment Partnerships formed with the objective of redeveloping sites in Cambridge for housing, including the provision of affordable housing. CIP's first major project is the redevelopment of the Council's former depot on Mill Road. As applicable the Council's share (50%) of CIP's results are incorporated into the group financial statements.

Accounting Policies

The results of CCHC and CIP are adjusted where applicable to align their accounting policies with those of the Council. Both entities have a financial year end of 31 March.

CCHC holds properties for rent as Investment Properties in its accounts, however under The Code these properties fall to be recognised as Property, Plant and Equipment. Consolidation adjustments have therefore been made to charge depreciation and deal with revaluations appropriately.

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.

Although CIP’s financial statements cover the period from incorporation until 31 March 2018 (so a period of approximately 15 months) there were no material transactions in CIP prior to 1 April 2017.

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

Group Movement in Reserves Statement

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

Financial year 2017/18

Group (£000s)	Council (after the removal of inter group transactions)					Council Share of Group Entities	Total Group Usable Reserves	Council Unusable Reserves	Group Entities Unusable	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 1 April 2017	**(38,642)**	**(14,420)**	**(32,293)**	**(5,549)**	**(4,231)**	**67**	**(95,068)**	**(600,560)**	**0**	**(600,560)**	**(695,628)**
Movement in Reserves During 2017-18											
(Surplus) / deficit on the provision of services	2,210	(19,844)	0	0	0	18	(17,616)	0	0	0	(17,616)
Other Comprehensive Income and expenditure	0	0	0	0	0	0	0	(34,134)	(565)	(34,699)	(34,699)
Total Comprehensive income and expenditure	**2,210**	**(19,844)**	**0**	**0**	**0**	**18**	**(17,616)**	**(34,134)**	**(565)**	**(34,699)**	**(52,315)**
Adjustments between accounting basis and funding basis under regulations	(1,446)	14,127	(8,194)	(2,605)	(1,184)	0	698	(698)	0	(698)	0
(Increase) / Decrease in year	764	(5,717)	(8,194)	(2,605)	(1,184)	18	(16,918)	(34,832)	(565)	(35,397)	(52,315)
Balance as at 31 March 2018	**(37,878)**	**(20,137)**	**(40,487)**	**(8,154)**	**(5,415)**	**85**	**(111,986)**	**(635,392)**	**(565)**	**(635,957)**	**(747,943)**

Financial year 2016/17

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	(4,762)	(8,475)	0	0	0	67	(13,170)	0	0	(13,170)
Other Comprehensive Income and expenditure	0	0	0	0	0	0	0	(1,887)	(1,887)	(1,887)
Total Comprehensive income and expenditure	**(4,762)**	**(8,475)**	**0**	**0**	**0**	**67**	**(13,170)**	**(1,887)**	**(1,887)**	**(15,057)**
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	(4,843)	(663)	(8,342)	(2,281)	3,969	67	(12,093)	(2,964)	(2,964)	(15,057)
Balance as at 31 March 2017	**(38,642)**	**(14,420)**	**(32,293)**	**(5,549)**	**(4,231)**	**67**	**(95,068)**	**(600,560)**	**(600,560)**	**(695,628)**

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	2017/18			2016/17		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Communities		10,286	(2,937)	7,349	8,325	(588)	7,737
Streets and Open Spaces		7,723	(2,680)	5,043	9,506	(3,190)	6,316
Environmental Services and City Centre		12,230	(795)	11,435	7,357	(2,701)	4,656
Planning, Policy and Transport		12,554	(12,845)	(291)	13,704	(13,813)	(109)
General Fund Housing		6,428	(1,643)	4,785	5,746	(1,579)	4,167
Housing Revenue Account		19,671	(41,429)	(21,758)	33,665	(41,289)	(7,624)
Finance and Resources		42,493	(39,736)	2,757	42,374	(39,578)	2,796
Strategy and Transformation		6,085	(856)	5,229	5,162	(291)	4,871
Other Non HRA Housing Services (Cambridge City Housing Company Limited)		303	(285)	18	92	(25)	67
Cost of Services		**117,773**	**(103,206)**	**14,567**	**125,931**	**(103,054)**	**22,877**
Other operating expenditure		3,119	(4,543)	(1,424)	1,251	(6,084)	(4,833)
Financing and investment income and expenditure	6	13,831	(15,841)	(2,010)	14,220	(21,868)	(7,648)
Taxation and non-specific grant income		0	(28,749)	(28,749)	0	(23,566)	(23,566)
(Surplus) / deficit on provision of services		**134,723**	**(152,339)**	**(17,616)**	**141,402**	**(154,572)**	**(13,170)**
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) / deficit on revaluation of non –current assets and impairments losses charged to revaluation reserve				(31,384)			(5,632)
Remeasurements of the net defined benefit liability				(2,643)			3,293
				(34,027)			**(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				(672)			452
Other comprehensive (income) / expenditure				**(672)**			**452**
Total comprehensive (income) / expenditure				**(52,315)**			**(15,057)**

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	2017/18	2016/17
Property, Plant and Equipment	8	803,240	778,339
Heritage Assets		669	580
Investment Property		175,281	153,706
Intangible Assets		318	203
Long Term Investments	9	25,275	24,585
Long Term Debtors		11,521	3,984
Long Term Assets		**1,016,304**	**961,397**
Short Term Investments		73,176	71,158
Assets Held for Sale	10	67	4,643
Inventories		151	186
Short Term Debtors		17,820	7,056
Cash and Cash Equivalents		8,316	15,149
Current Assets		**99,530**	**98,192**
Short Term Borrowing		(82)	(82)
Short Term Creditors		(22,894)	(19,618)
Receipts in Advance		(4,272)	(4,312)
Provisions		(4,467)	(4,172)
Current Liabilities		**(31,715)**	**(28,184)**
Long Term Borrowing		(213,572)	(213,572)
Other Long Term Liabilities		(116,396)	(114,032)
Capital Grants Receipts in Advance		(6,208)	(8,173)
Long Term Liabilities		**(336,176)**	**(335,777)**
Net Assets		**747,943**	**695,628**
Usable Reserves		(111,986)	(95,068)
Unusable Reserves		(635,957)	(600,560)
Total Reserves		**(747,943)**	**(695,628)**

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 m ade 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**	**2017/18**	**2016/17**
Net surplus or (deficit) on the provision of services		17,616	13,170
Adjustment to surplus or deficit on the provision of services for noncash movements		32,482	34,574
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(33,660)	(22,877)
Net Cash Flows from Operating Activities		**16,438**	**24,867**
Net Cash Flows from Investing Activities		(25,705)	(21,084)
Net Cash Flows from Financing Activities		2,434	2,180
Net increase/(decrease) in cash and cash equivalents		**(6,833)**	**5,963**
Cash and Cash equivalents at the beginning of the reporting period		15,149	9,186
Cash and Cash Equivalents at the end of the reporting period		**8,316**	**15,149**

NOTES TO THE GROUP FINANCIAL STATEMENTS

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1 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. The Expenditure and Funding Analysis is a note to the Financial Statements, however, it is positioned here as it provides a link from the figures reported in the Narrative Report to the Comprehensive Income and Expenditure Statement.

Group (£000s)	2017/18			2016/17		
	Net Expenditure Chargeable to the General Fund ,HRA and share of Group Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund ,HRA and share of subsidiary Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Communities	5,653	5,782	11,435	5,368	2,369	7,737
Streets and Open Spaces	5,464	1,885	7,349	5,310	1,006	6,316
Environmental Services and City Centre	4,286	757	5,043	4,097	559	4,656
Planning, Policy and Transport	(2,342)	2,051	(291)	(2,845)	2,736	(109)
General Fund Housing	3,482	1,303	4,785	3,405	762	4,167
Housing Revenue Account	(16,748)	(5,010)	(21,758)	(16,840)	9,216	(7,624)
Finance and Resources	1,110	1,647	2,757	1,332	1,464	2,796
Strategy and Transformation	6,194	(965)	5,229	4,699	172	4,871
Other non-HRA Housing Services (Cambridge City Housing Company)	18	0	18	67	0	67
Net Cost of Services	**7,117**	**7,450**	**14,567**	**4,593**	**18,284**	**22,877**
Other Income and Expenditure	(12,052)	(20,131)	(32,183)	(10,032)	(26,015)	(36,047)
(Surplus) or Deficit	**(4,935)**	**(12,681)**	**(17,616)**	**(5,439)**	**(7,731)**	**(13,170)**
Opening General Fund, HRA and Subsidiary Balance	**(52,995)**			**(47,556)**		
(Surplus)/Deficit for the year	(4,935)			(5,439)		
Closing General Fund, HRA and Subsidiary Balance at 31 March*	**(57,930)**			**(52,995)**		

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

2 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.

Cambridge Investment Partnership LLP was incorporated on 22 December 2016. The Council contributed 50% of the equity (£100). Cambridge Investment Partnership is a Joint Venture for accounting purposes.

3 Basis of Consolidation

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

The Council's share of Cambridge Investment Partnership's post acquisition results is a loss of £206,000. In addition the Council's share of the provision for unrealised profit on the disposal of Mill Road is £681,000. As these adjustments exceed the value of the Council's investment, the consolidated value of Cambridge Investment Partnership for group accounting purposes is currently £0.

4 Business Activity of the Subsidiary and Joint Venture

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

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

5 Accounting Policies

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

6 Financing and Investment Income and Expenditure

Group (£000s)	2017/18		2016/17	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,494	0	7,498
Impairment of investments	0	0	0	11
Net interest on the net defined benefit liability	0	2,912	0	3,768
Trading Activities	(1,881)	1,645	(1,365)	1,354
Interest receivable and similar income	(1,344)	0	(1,296)	0
Income and expenditure in relation to investment properties and changes in their fair value	(12,616)	1,780	(19,207)	1,589
	(15,841)	**13,831**	**(21,868)**	**14,220**

7 Audit costs

Group (£000s)	2017/18	2016/17
Ernst and Young LLP - External audit services	83	57
Ernst and Young LLP - Certification of grant claims and returns	19	19
Ernst and Young LLP – non-audit services	0	3
Ensors LLP – External audit Services	5	5
Ensors LLP – Accounts and Taxation Services	3	5
	110	**89**

8 Property Plant and Equipment

Financial year 2017/18

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation								
At 1 April 2017	**579,588**	**148,679**	**20,742**	**4,523**	**1,195**	**9,261**	**30,554**	**794,542**
Opening Adjustment	0	192	0	0	0	0	0	192
Additions	6,403	1,189	2,193	262	18	0	17,831	27,896
Revaluation increases / (decreases) recognised in the revaluation reserve	19,184	3,560	0	0	0	0	(2,045)	20,699
Revaluation increases / (decreases) recognised in the surplus / deficit on provision of services	6,605	(3,653)	0	0	0	0	0	2,952
De-recognition – disposals	(4,643)	0	0	0	0	0	0	(4,643)
De-recognition – other	(177)	(1,165)	6	0	0	0	(4,098)	(5,434)
Assets reclassified from Investment Properties	0	(463)	0	0	0	(1,225)	0	(1,688)
Assets reclassified (to) / from held for sale	(68)	(3,259)	(481)	0	0	0	(5,383)	(9,191)
Assets reclassified to / (from) intangibles	0	0	0	0	0	0	(192)	(192)
Assets reclassified to / (from) other categories of PPE	21,411	7,164	196	371	131	(8,036)	(21,237)	0
Other movements	0	0	(2)	0	0	0	0	(2)
At 31 March 2018	**628,303**	**152,244**	**22,654**	**5,156**	**1,344**	**0**	**15,430**	**825,131**
Accumulated Depreciation and Impairment								
At 1 April 2017	**0**	**(3,009)**	**(12,519)**	**(675)**	**0**	**0**	**0**	**(16,203)**
Opening Adjustment	0	(192)	0	0	0	0	0	(192)
Depreciation charge	(9,395)	(4,586)	(1,649)	(135)	0	(85)	0	(15,850)
Depreciation written out to the Revaluation Reserve	9,290	1,636	0	0	0	0	116	11,042
Derecognition - disposals	73	0	0	0	0	0	0	73
Derecognition - other	0	31	0	0	0	0	0	31
Impairments - Income & Expenditure	0	(540)	0	0	0	0	(304)	(844)
Impairments – Revaluation Reserve	0	(162)	0	0	0	0	(283)	(445)
Assets reclassified to / (from) Investment Properties	0	25	0	0	0	0	0	25
Assets reclassified to / (from) Held for Sale	1	0	471	0	0	0	0	472
Assets reclassified (to) / from other categories of PPE	31	0	0	0	0	85	(116)	0
At 31 March 2018	**0**	**(6,797)**	**(13,697)**	**(810)**	**0**	**0**	**(587)**	**(21,891)**
Net Book Value								
At 31 March 2018	**628,303**	**145,447**	**8,957**	**4,346**	**1,344**	**0**	**14,843**	**803,240**
At 31 March 2017	**579,588**	**145,670**	**8,223**	**3,848**	**1,195**	**9,261**	**30,554**	**778,339**

Financial year 2016/17

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 2018 on the basis of current value derived from existing use.

Group (£000s)	Council Dwellings	Other Land and Buildings	Total
Valued at fair value as at:			
31 March 2018	628,303	95,259	723,562
31 March 2017	0	2,370	2,370
31 March 2016	0	40,861	40,861
31 March 2015	0	3,781	3,781
31 March 2014	0	3,176	3,176
Total Valuation	**628,303**	**145,447**	**773,750**

9 Long Term Investments:

Group (£000s)	2017/18	2017/18	2016/17	2016/17
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and Receivables	10,000	9,984	10,000	10,000
Available-for-sale assets	15,275	15,275	14,585	14,585
	25,275	**25,259**	**24,585**	**24,585**

10 Current Assets held for sale

Group (£000s)	2017/18	2016/17
Balance at 1 April	**4,643**	**4,295**
Assets newly classified as held for sale:		
Property, plant & equipment	8,718	314
Assets sold	(11,137)	(249)
K1 Site – change in estimate of value – reverse previous loss in I&E	0	300
Enhancement expenditure	0	0
Impairment losses	(2,157)	(17)
Balance at 31 March	**67**	**4,643**

11 Unusable Reserves

Group (£000s)	31 March 2018	31 March 2017
Deferred Capital Receipts Reserve	(12,002)	(2,735)
Revaluation Reserve	(172,410)	(148,645)
Capital Adjustment Account	(567,975)	(564,950)
Financial Instruments Adjustment Account	87	65
Pensions Reserve	116,396	114,032
Collection Fund Adjustment Account	(287)	768
Available for Sale Reserve	(221)	450
Accumulated Absences Account	455	455
Total Unusable Reserves	**(635,957)**	**(600,560)**

Revaluation Reserve

Group (£000s)	2017/18	2016/17
Balance at 1 April	**(148,645)**	**(147,009)**
Net (gains) / losses on revaluations during the year	(31,545)	(5,632)
Impairment charged to the revaluation reserve	162	0
Amounts written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	3,315	3,054
Accumulated gains on assets sold or scrapped	4,303	942
Balance at 31 March	**(172,410)**	**(148,645)**

12 Investing Activities

The cash flows for Group investing activities include the following:

Group (£000s)	2017/18	2016/17
Purchase of property, plant and equipment and intangible assets	(45,178)	(32,647)
Purchase of short term and long term investments	(79,500)	(86,000)
Proceeds from short term and long term investments	77,500	78,537
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17,034	15,466
Other payments for investing activities	(9)	(1,495)
Other receipts from investing activities	4,448	5,055
Investing Activities	**(25,705)**	**(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 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS).

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

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

2 Accruals of Income and Expenditure

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

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

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

3 Cash and Cash Equivalents

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

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

4 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or 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. .

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

6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, flexi-leave and time off in lieu for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the 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 2.7% (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

Loans and Receivables

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

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

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

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

Available-for-Sale Assets

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

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

- Instruments with quoted market prices – the market price

- 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.

<u>Impairment</u>

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.

<u>Disposals and non-current assets held for sale</u>

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.

25 Group Accounts

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

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

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

Unrealised profits on transactions with Joint Ventures are only eliminated against the investment to the extent that it reduces the carrying value of the investment in the group accounts to zero. The Council does not then recognise further profits in the Joint Venture until they exceed unrecognised unrealised profits.

Where the impact of entities on the group accounts is considered to be immaterial they are not consolidated.

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 2017/18. 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

Cambridge City Council
Audit results report

Year ended 31 March 2018

12 July 2018

EY
Building a better working world

12 July 2018

Dear Civic Affairs Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Civic Affairs Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridge City Council for 2017/18. We will issue our final report at the Civic Affairs Committee meeting scheduled for 25 July 2018.

We have substantially completed our audit of Cambridge City Council (the Authority) for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the statement of accounts in the form at section 4, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Civic Affairs Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Civic Affairs Committee meeting on 25 July 2018.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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03 Areas of Audit Focus
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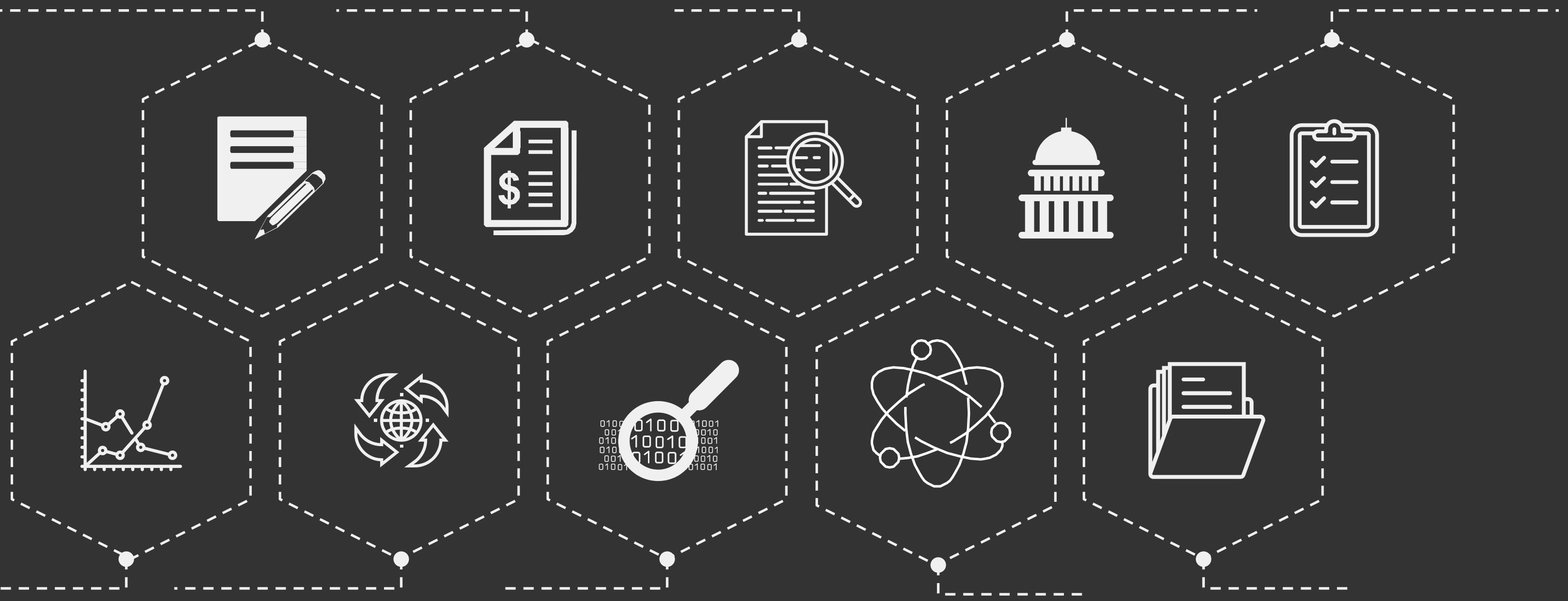

07 Other reporting issues
08 Assessment of Control Environment
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11 Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Civic Affairs Committee and management of Cambridge City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Civic Affairs Committee, and management of Cambridge City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Civic Affairs Committee and management of Cambridge City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our Audit Plan tabled at the 14 February 2018 Civic Affairs Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the statement of accounts. We carried out our audit in accordance with this plan, with the following exceptions:

- At planning we also reported consideration of the completeness of liabilities and valuation of certain estimated liabilities for any management bias when considering our perceived fraud risks. We reviewed our risk assessment on receipt of the draft financial statements and concluded that this was no longer a perceived risk given the Authority's historical performance and medium term financial strategy.
- Changes in materiality: In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £2.8m. We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on net cost of services plus expenditure relating to interest payable, pension finance costs, investment properties and pooling of housing capital receipts, we have updated our overall materiality assessment to £2.6m. This results in updated performance materiality, at 75% of overall materiality, of £1.9m, and an updated threshold for reporting misstatements of £0.130m. There have been no changes in our specific materiality levels. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on net cost of services plus expenditure relating to interest payable, pension finance costs, investment properties and pooling of housing capital receipts.

Status of the audit

We have substantially completed our audit of Cambridge City Council's statement of accounts for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's statement of accounts in the form which appears at Section 4. However until work is complete, further amendments may arise:

- IAS 19 reporting from BDO.
- Receipt of group reporting from CIP auditors.
- Receipt of the final version of the financial statements.
- Finalisation of internal review procedures.
- Completion of subsequent events review.
- Receipt of the signed management representation letter.

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

There has been one adjustment to the draft statement of accounts which management has amended. This relates to the outcome on review of the transactions for disposal of the Mill Road Depot as set out on page 19. Details of the adjustment can be found in Section 5.

We have also identified a number of minor disclosure adjustments which have been corrected by management in the revised financial statements subject to approval.

There are no unadjusted audit differences arising from our audit.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Cambridge City Council's statement of accounts. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Civic Affairs Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your statement of accounts and which is unknown to you.

We have adopted a fully substantive approach, so have not tested the operation of controls.

Executive Summary

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

In our Audit Plan we identified no significant VFM risks and we have not become aware of any matters that change our view in relation to this.

In light of the challenging financial environment we have performed a high level review of the financial resilience of the Authority and considered whether there are any significant issues with the robustness of the medium term financial plans and assumptions. Overall we have concluded that arrangements are appropriate.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We have confirmed that the Authority are below the threshold for the completion of audit procedures over the Whole of Government Accounts (WGA) return. As such we are not required to complete any detailed work on the return. We will submit this audit results report to the NAO in line with their requirements.

We have no other matters to report.

Independence

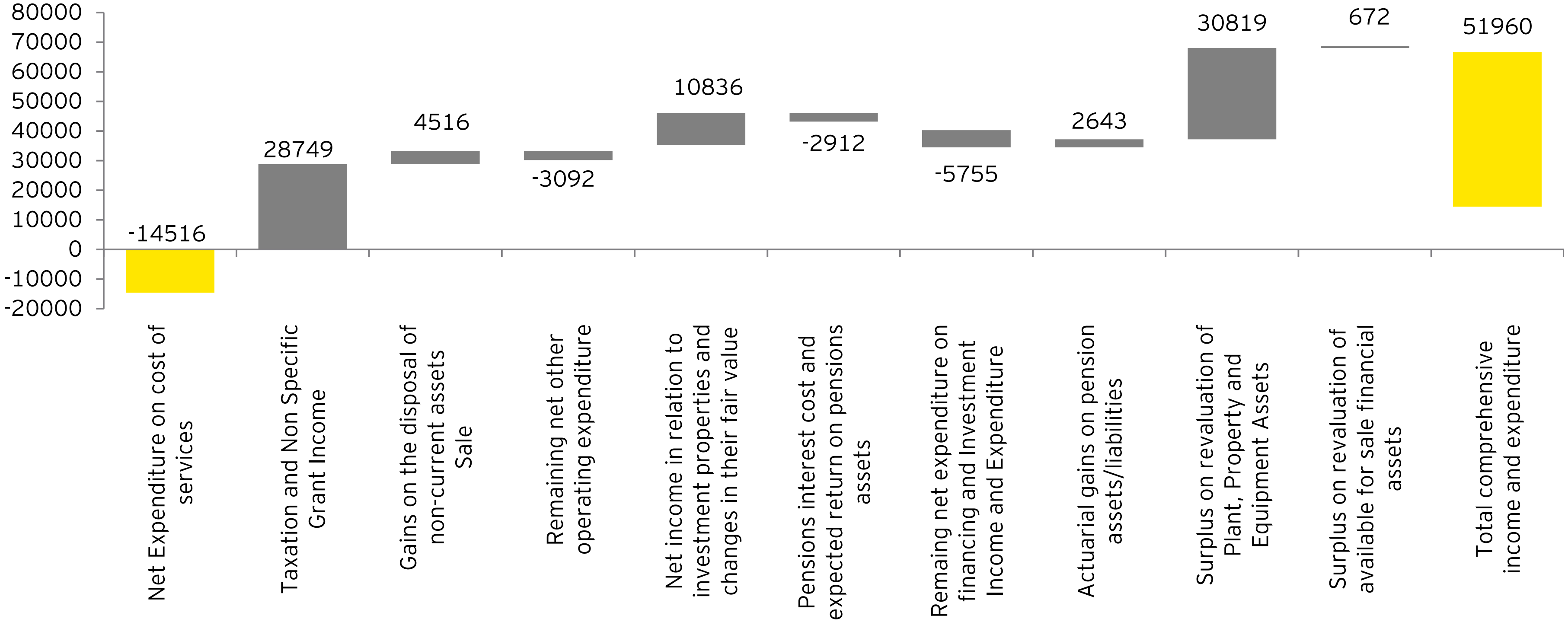
Please refer to Section 10 where we confirm our independence as your appointed auditor.

02 Understanding Financial Statements

Understanding the financial statements

Key components of net expenditure

Net comprehensive income for the year ended 31 March 2018 was £57 million (£15 million at 31 March 2017). During the year significant events have occurred with an impact on the underlying financial position of the Authority. The following provides an overview of the material items:



Net expenditure on cost of services has decreased by £8.3 million in 2017/18 when compared to the prior year. Gross income included in net cost of services has broadly stayed consistent at £103 million year on year.

Total gross expenditure has seen the largest movements within Communities (increase in expenditure of £3.9 million) where a £3.1 million revaluation loss has been recognised for Clay Farm, and the Housing Revenue Account (decrease in expenditure of £14 million) which includes a reversal for prior year revaluation losses of £6.6 million, whereas in the prior year this was a charge of £8.7 million.

The overall total net income figure has been impacted by substantial property disposal gains of £4.5 million and revaluation gains of £42 million across property, plant and equipment and investment properties.

03 Areas of Audit Focus

Significant risk – Inappropriate capitalisation of expenditure

Significant Risk

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Authority has historically performed well in relation to their outturn position for the year. In 2017/18 the Authority incurred a surplus of £4.9m chargeable to the General Fund and Housing Revenue Account (HRA) as set out in the Expenditure and Funding Analysis. The overall position against the budget set by the Authority was a surplus of £1.7m for general fund services and a surplus of £1.8m for the HRA.

As the Authority is more focussed on its financial position over the medium term we do not consider there to be a heightened risk for the Authority's standard income and expenditure streams except for the capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Authority's capital programme.

At planning we also reported consideration of the completeness of liabilities and valuation of certain estimated liabilities for any management bias. We reviewed our risk assessment on receipt of the draft financial statements and concluded that this was no longer a perceived risk given the Authority's historical performance and medium term financial strategy.

What judgements are we focused on?

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Authority has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.

This judgement impacts the valuation/measurement of the expenditure and also the existence of the asset on the balance sheet and completeness of expenditure included within the Comprehensive Income and Expenditure Statement (CIES).

What did we do?

To address this risk we performed the following:

- Capital additions testing - We selected a sample of capital additions and tested these to confirm that all amounts could be agreed to appropriate audit evidence (e.g. invoice, valuation certificate etc.) and that the item being capitalised was capital in nature. No significant issues were noted in our testing.
- Journal entry testing - As part of our journal testing we included a specific test to search for unusual activity that moves expenditure from the CIES to PPE on the balance sheet. No unusual activity was identified as part of our review.

What are our conclusions?

Our testing has not identified any material misstatements from the inappropriate capitalisation of expenditure.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

Significant risk – Misstatements due to fraud or error

Significant Risk

What is the risk?

The risk is that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have assessed journal amendments, accounting estimates and unusual transactions as the area's most open to manipulation. Linking to the presumed risk of fraud in revenue and expenditure recognition we have identified the inappropriate capitalisation of expenditure on Property, Plant and Equipment as a risk. This has been identified as a specific risk as set out on the previous page, and therefore we have not repeated that information here.

What judgements are we focused on?

In undertaking our work on management override of controls we have considered the balances included in the Authority's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates are considered to be the NNDR appeals provision, the valuation of Property, Plant and Equipment and the valuation of pension liabilities.

Due to the significance of PPE and pension valuations on the financial statements we have included them as higher inherent risks in our audit strategy and include a separate section to report on these separately below and not repeated that information here. Given that the impact of valuation and measurement of property, plant and equipment and pension liabilities do not impact the general fund we do not consider these to be significant estimates subject to fraudulent misreporting.

We have also considered the treatment of one off capital transactions, especially those involving group entities, where judgement has been needed in determining the treatment of the transaction in the financial statements. We have set out our procedures over these in the capital transactions section within areas of audit focus commencing on page 16.

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions.

We have set out the procedures we have undertaken in relation to the above, as well as other supplementary procedures we have performed to provide assurances over the identified risks, on the next page.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

Significant risk – Misstatements due to fraud or error

Further details on procedures/work performed

Journal entry testing

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of journals posted to the general ledger during the year and using our data analytics tool confirmed the completeness of the population and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation. We identified no issues.

Accounting estimates

- Provisions - the provisions balance in the financial statements is £4.5m at 31 March 2018 (£4.2m at 31 March 2017) of which £4.1m relates to the provision for business rate appeals which the Authority is required to estimate and include in the financial statements in accordance with the Code. We have not identified any significant issues with the Authority's basis of calculation. We have considered the assumptions used in the calculation and consider them to be reasonable. We note that the Authority uses an external specialist to assist in the calculation of the liability. We have assessed the work of the specialist, including considering their qualifications and experience with no significant issues identified. The remainder of the balance relates to insurance provisions (£0.3m), which are immaterial.
- Valuation of level 3 assets –the Authority also have £2.7 million of contingent proceeds on disposal of assets which relates to deferred consideration valued subject to future events. We have reported on these items in our higher inherent risk on capital transactions below.

We evaluated the remainder of the Authority's estimates, including accruals, deferred liabilities, bad debt provision and depreciation, as low risk of material misstatement. No issues were noted in our work in these areas.

Other procedures – As set out in our audit plan we confirm that we have also performed the following supplementary procedures to gain additional assurances management override of control/misstatements due to fraud or error:

- Inquiring of management about risks of fraud and the controls put in place to address those risks and understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud, identifying fraud risks during the planning stages and determining an appropriate strategy to address those identified risks of fraud.
- Reviewing material accounting policies and testing that they have been applied correctly during our detailed testing.
- Performing cut off testing and unrecorded liabilities testing to consider the completeness of assets and liabilities included in the financial statements.
- Evaluating the business rationale for any significant unusual transactions – none were identified.

We have no matters to report in relation to the above.

Significant risk – Financial management system

Significant Risk

What is the risk?

Following implementation of Technology One Financial Management System (T1 FMS), the Authority has migrated the balances from Oracle to Technology One. This migration took place on 1 March 2018, one month prior to the financial year end.

The migration to a new finance system is a significant event that involves extensive planning and arrangements to ensure that the governance of the process maintained, the new system delivers as expected and there is no loss of financial data.

As such, we consider this to represent a significant risk to the audit where this occurs during the financial year.

What judgements are we focused on?

As part of the data migration, the GL transactions and balances (including the sub ledger details) from Oracle for the FY 2016-17 and FY 2017-18 were migrated to the T1 FMS. In addition, we understand that only the Open Balances for Account Receivable (AR) were migrated to T1 FMS with Account Payable (AP) being nil at the date of migration.

We therefore engaged support from EY Information Technology Risk & Assurance (ITRA) to perform a data migration review and obtain reasonable assurance around data integrity in T1 FMS following the cutover on 1 March 2018.

What did we do?

In order to address this risk we carried out a range of procedures including:

- Involving our risk assurances experts in assessing how the migration has been governed and performed;
- Testing the migration of the data between the two systems to ensure it remains complete and accurate;
- Reviewing the mapping of data between the two systems; and
- Gaining an understanding of the new IT environment and the impact this has on the processes associated with significant classes of transactions - As a result of the change in the finance system we have undertaken additional procedures to consider how significant classes of transactions have been processed in the financial statements. This has included consideration of key controls. We have not identified any significant issues in the design of controls, however, we note that we have no performed a controls based audit.

Further details on the first three bullets above have been given on the next page.

What are our conclusions?

Based on the procedures performed, we conclude there are sufficient controls in place to enable us gaining reasonable assurance that system migration activities did not result into a material misstatement of the financial statements.

Significant risk - Financial management system

Further details on procedures/work performed

Data migration and mapping

We have liaised with management to obtain a reasonable understanding of how the migration was planned, designed and implemented and then obtained and reviewed relevant documentation, including the data migration strategy and project initiation document, regarding the data migration process from Oracle to T1 FMS.

We have analysed whether the reconciliations performed addressed key risk areas and evidenced an appropriate level of governance from key individuals in the business.

We have then performed procedures to gain reasonable assurance over the completeness and accuracy of the data migration and mapping by re-performing the reconciliation of the key financial data.

To ensure the completeness of the reconciliation, we independently matched balances with the trial balance used for the reconciliation, and for the accuracy of the balance reconciliation, we traced the balances, on a sample basis, to the balance downloaded from the system. Based on our discussion with the responsible team, we understood that for Account Receivables and Account Payables, only the Open Balances from Oracle were migrated to T1 FMS. For all the selected samples, the balances matched between the report and the reconciliation document.

We have no significant issues to report.

Other areas of audit focus - Valuation of capital assets

What is the risk and what judgements are we focused on?

Property, Plant and Equipment (PPE) and investment properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular. The Authority will engage external expert valuers who will apply a number of complex assumptions to these assets. Annually, assets are assessed to identify whether there is any indication of impairment.

As the Authority's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated. This risk relates to assets that are revalued, being 'Council dwellings', 'Other land and Buildings', 'Surplus assets' and 'Investment Properties'. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Reviewed and sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans).
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct.
- Considered external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report and broader market data for the Cambridge area where relevant. Specifically we have considered if this indicates any material variances to the asset valuations performed by the valuers and to those assets not revalued.
- Considered changes to useful economic lives as a result of the most recent valuation and tested that the valuation accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

What are our conclusions?

We note that there are approximately £12m of investment properties that have not been revalued at the balance sheet date, which is not in compliance with the Code.

We have therefore assessed whether there is any risk of material misstatement associated with the properties.

In order to be materially misstated the value would need to be different by more than 17%. Whilst there are a range of movements for individual assets, the average value change is approximately 5%. As such we do not consider there to be a risk of material misstatement associated with these assets. The Authority should review this going forward to mitigate against the risk of material error.

No other issues have been identified. We have not identified any material issues in the valuations based on our work.

Other areas of audit focus – Pension valuations and disclosures

What is the risk?

The Local Council Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by Cambridge County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £116.396 million (£114.032 million at 31 March 2017).

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

We have focused on the following areas, which are consistent with those of management:

- The reasonableness of the underlying assumptions used by the Authority's expert – Hymans Robertson.
- Ensuring the information supplied to the actuary in relation to the Authority was complete and accurate
- Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Hymans Robertson.

What did we do?

We have liaised with the auditors of, Cambridgeshire Pension Fund, BDO, to obtain assurances over the information supplied to the actuary in relation to Cambridge City Council. At the time of writing this report we are awaiting the reporting from BDO but we note that we have received confirmation of the asset value which has result in a material difference in the asset value reported in your financial statements. This has resulted in a revised actuary reporting being requested, and will involve a material adjustment to the financial statements. We will provide you with an update once received.

We have assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. The assumptions used by the actuary have been reviewed by both PwC and our EY actuarial team who have both concluded that the assumptions and methodology used are considered to be appropriate.

We have reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19 – no issues have been noted.

What are our conclusions?

Assumptions used by the actuary and adopted by the Authority are considered to be acceptable.

The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.

At the time of writing this report we are awaiting the reporting from BDO and will provide you with an update once received.

Areas of Audit Focus

Other areas of audit focus – Capital transactions

What is the risk?

As set out in our audit plan, the Authority informed us during the year of a number of potentially large capital transactions that would have an impact on the 2017/18 financial statements. Specifically we have considered the following:

- The disposal of land to the Authority's joint venture, Cambridge Investment Partnership (CIP).
- The part disposal of an asset recently constructed in the year, where the top two floors have been leased to a housing association.
- Review of deferred consideration for asset sales which contain overage elements as part of the overall consideration.

It is important for the Authority to fully understand the arrangements in place and any accounting implications so that these can be appropriately recognised in the accounts.

What judgements are we focused on?

We have focused on managements judgements around:

- The classification of leases associated with the transactions and the resulting treatment in the financial statements.
- Any apportionment considerations management has been required to make in disposing of assets.
- The substance and legal form of arrangements and the accounting treatment then adopted in the accounts.

What did we do?

We have

- Understood the substance of significant one off transactions.
- Reviewed and tested the accounting treatment proposed by management to ensure that it is in accordance with accounting standards and the Code and has been recognised at the correct value and in the correct financial year.
- Considered the completeness and accuracy of any related disclosures (for example, joint arrangements).

Further detail has been set out on the pages that follow.

What are our conclusions?

We have worked closely with the Authority during the financial year to agree the accounting and disclosure requirements associated with the above transactions.

We have understood the transactions, reviewed the accounting treatment and disclosures and confirmed that these have been correctly incorporated into the financial statements.

Areas of Audit Focus

Other areas of audit focus – Capital transactions

Further details on procedures/work performed

Treatment of Mill Road Depot:

The Authority has leased the site to CIP for 250 years at a peppercorn rent and a premium of £11m. The consideration is deferred in the form of a loan note which will be repaid from surpluses at the end of the development. The proportion of the land being developed for market housing has been treated as a disposal as the land transfers to the owner on purchase of a property. The proportion of the land designated as affordable housing has been retained on the balance sheet and transferred to assets under construction as the Authority retains the interest in the land, which reverts to them at the end of the development phase. The £11m premium reflects the market value of the land based on 40% affordable housing. However, a requirement for 50% affordable housing was agreed and the Authority agreed to make a payment of £5.8m as the assessed reduction in market value resulting from this. We have undertaken the following work:

- Reviewed the lease agreement, associated legal correspondence and relevant affordable housing agreements and have agreed with the Authority's view and calculation on how the land should be split between a disposal and asset under construction.
- Reviewed the proposed accounting treatment and confirmed that all entries have been appropriately recognised in the financial statements.
- Assessed the calculation for discounting the deferred consideration of £11m and confirmed the assumptions are appropriate.
- Considered the proposed treatment for the capitalisation of costs for the affordable housing once construction commences following the signing of the affordable housing agreement.
- Challenged management on the treatment of the unrealised gains on the disposal of the land within the group accounts given the transaction is with a joint venture. This has resulted in the share of profits/losses and net assets being reduced to nil in the group financial statements.

The original proposals from management had shown the deferred consideration of £11m net of the additional £5.8m payment (being £5.2m). Whilst management was able to provide minutes and a project plan which set out the £5.8m there was no contractual document committing the Authority to pay the amounts, especially as the lease agreement included the premium value of £11m. As a result the accounts were prepared on the basis of the consideration being £11m.

Subsequently, management have requested variations to the lease agreement to alter the price of the lease to be £5.2m which were signed in July 2018. As there is evidence to support the £5.8m within CIP and Authority minutes, and in the project plan by CIP we have concluded that alongside the variation to the lease there is sufficient evidence to support the disposal proceeds being recognised as £5.2m.

Management have posted the adjustments to the financial statements. For completeness we have included the adjustments within section 5 given their materiality.

Other areas of audit focus – Capital transactions

Further details on procedures/work performed

Clay farm community centre:

During the year the Authority saw the completion of the Clay Farm Centre. It hosts a community centre, library, café and medical centre on the first three floors. The top two floors comprise 20 flats which have been disposed of under a 250 year lease for a premium of £2.9m to a housing association.

We have reviewed the arrangements of the lease, tested the apportionment of the construction costs of the building for the part that relates to the flats and confirmed the disposal has been correctly accounted within the accounts. No issues have been noted.

Deferred sale proceeds:

- In 2016/17 the Authority disposed of a property whereby the sale proceeds were deferred. As there is a contractual obligation for the Authority to receive the consideration at the balance sheet date the financial asset has been classified as an available for sale, level 3 financial instrument, which means that the fair value is estimated based on unobservable inputs. The consideration has been included in long term debtors and valued at £2.7m at the balance sheet date which is the same as the prior year. We have reviewed the calculation of the £2.7m and concluded that it is still based on the most available information as at the time of our audit. The consideration has been based on the average value of the bids received for the property. We have reviewed management's assumptions in calculating the estimated sale proceeds and confirm that the estimate range is within overall materiality and therefore we have concluded that the estimate is materially stated.
- During the year the Authority disposed of an asset that has been included within assets held for sale since 2014/15. An agreement for the sale of the land has been in place for some time but has been subject to certain conditions which delayed the sale completion until 2017/18. As part of the proposed consideration for the asset, there is an overage element whereby the purchaser shall pay to the Authority an additional amount based on set criteria. The fixed consideration of £4.5m has been deferred on the balance sheet and represents a financial asset to the Authority and should be measured at fair value. Evidence demonstrates that there still remains too much uncertainty to calculate the overage element due to the Authority and therefore we agree with the Authority that there is too much uncertainty to estimate the development values.

Areas of Audit Focus

Other areas of audit focus – Group accounting

What is the risk?

There have been a number of changes to the group structure during the year, including Cambridge Investment Partnership and Storeys Field Charitable Trust. It is important that the Authority performs a detailed assessment to ensure that all potential associates and joint ventures are appropriately recognised and disclosed in the accounts.

What judgements are we focused on?

We have focused our work on management's assessment of whether entities should be consolidated in accordance with the Code. This has included assessing the inclusion of entities as being material.

What did we do?

- We have reviewed the Authority's processes for consolidation, agreed the consistency of accounting policies, and ensured the inter-company elimination is appropriate. We have also tested the balances being consolidated taking into account materiality.
- The Authority continues to consolidate its wholly owned subsidiary City Housing Company Limited (CCHC). Consistent with the prior year the 23 properties held within CCHC which are available for rent at 80% of market rates have been included in the group accounts within property, plant and equipment, as other land and buildings, as they are considered to be operational. The valuation of PPE has been considered in the relevant section above. We have performed testing over the material transactions consolidated within the group accounts with no issues noted.
- We have reviewed managements assessment of CIP as a joint venture and have agreed with their assessment. As this is the first year of inclusion in the financial statements we have requested specific procedures to be performed over certain balances by the CIP auditors. At the time of writing this report we are awaiting the results of these procedures.
- We have also reviewed management's assessment of the following which have not been consolidated:
  - Storeys Field, Charitable Trust which is a joint venture entered into with Cambridge University.
  - Cambridge Live – deemed to be an associate as significant influence can be demonstrated.
  - Visit Cambridge and Beyond - the Authority has determined they do not have significant influence. The consideration of significant influence is judgemental and it could be perceived that the positions on the Boards allow the Authority to participate in the decision making of the entities and therefore represent significant influence.

As the equity method of accounting has been adopted, meaning that the net income/expenditure and net assets are accounted for the Authority's share would be immaterial. As such this has not been considered further, however the Authority will need to keep the accounting for these entities under review.

What are our conclusions?

We have assessed the group boundary and the significance of the components to the group accounts and have concluded that it is materially accurate.

The Authority will need to keep this under review. We have also reviewed the completeness of the disclosures in the financial statement to ensure they are materially accurate and complete.

We note that the transactions with non-consolidated entities have been disclosed within related party transactions.

Other areas of audit focus – Cash flow statement and EFA

What is the risk?

The Authority has amended the method in which they prepare their cash flow statement for 2017/18, moving from preparing it using cash records as the source to using the Surplus or Deficit on the Provision of Services and adjusting for non-cash items. This has therefore involved a restatement of the prior year to ensure the comparatives to the primary statement are consistent.

In addition, the Authority has made some amendments to the presentation of the Expenditure Funding Analysis (EFA) to combine the disclosures into one note. This is an amalgamation of notes as opposed to a restructure of how income and expenditure is categorised.

Whilst we do not consider these changes to represent a heightened audit risk, they are two key changes to the financial statements for 2017/18 that we feel you should be made aware of and have involved some additional audit work in the current year.

What did we do?

We have:

- Reviewed and tested the restated cash flow statement and ensured compliance with the Code;
- Review and test the completeness and accuracy of any associated disclosures to the cash flow statement and the EFA, including narrative explaining the in year changes; and
- Reviewed and tested the amalgamated expenditure funding analysis to ensure its consistency with the prior year comparatives.

What are our conclusions?

No issues have been noted in the performance of our procedures.

Areas of Audit Focus

Other matters

Implementation of IFRS 15:

The 2018/19 Code confirms that IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations, with implementation from 1 April 2018. The core principle in IFRS 15 for local authorities is that they should recognise revenue to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. adopts IFRS15 without adaptation. The scope includes:

- all contracts with customers except leases, financial instruments and insurance contracts; and
- excludes Council Tax and NDR income

Given the nature of the Authority's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the single entity financial statements of the Council. However, the Authority is yet to carry out a review of contract income from service recipients to assess the potential impact.

04 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE CITY COUNCIL

Opinion

We have audited the financial statements of Cambridge City Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement;
- Authority and Group Comprehensive Income and Expenditure Statement;
- Authority and Group Balance Sheet;
- Authority and Group Cash Flow Statement;
- the related notes 1 to 44 to the Authority Accounts and notes 1 to 12 to the Group Accounts,
- Housing Revenue Account Income and Expenditure Statement, Statement of Movement on the Housing Revenue Account Balance and related notes 1 to 10 to the Housing Revenue Account;
- Collection Fund and the related notes 1 to 7; and
- Statement of accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridge City Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

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

Draft audit report

Our opinion on the financial statements

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on pages i to xxi, other than the financial statements and our auditor's report thereon. The Chief Financial Officer (Head of Finance) is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in August 2017, we are satisfied that, in all significant respects, Cambridge City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibility of the Head of Finance

As explained more fully in the Statement of the Head of Finance's Responsibilities set out on page xi, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

Draft audit report

Our opinion on the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in August 2017, as to whether Cambridge City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Cambridge City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Cambridge City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

Draft audit report

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Use of our report

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

Suresh Patel (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Cambridge

Date:

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

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

05 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

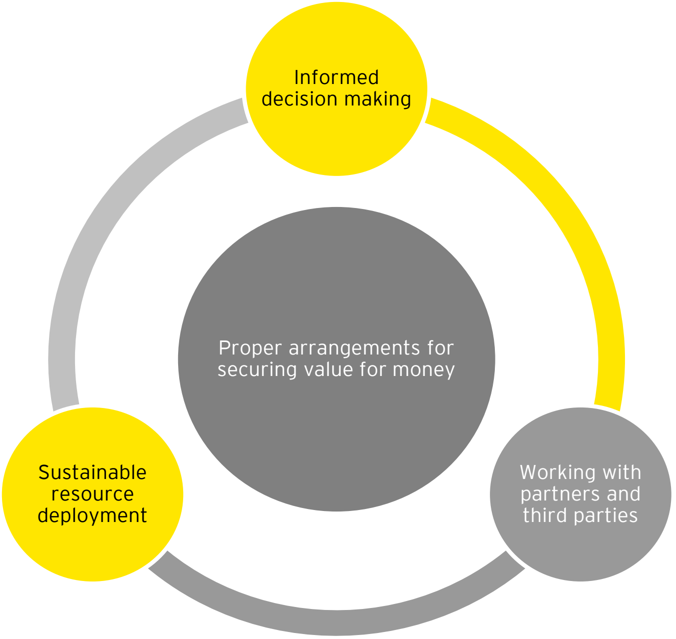
The following adjustment, greater than £1.959 million, has been made to the draft financial statements. This relates to the outcome of the CIP transaction review on page 19. This has resulted in the following adjustments:

Dr Gain/loss on disposal of assets	£5.080 m	
Cr Proceeds - deferred capital receipt		£5.080 m
Dr Deferred capital receipts reserve	£5.080 m	
Cr MIRS – GF		£5.080 m
Unwinding of discount:		
Dr Interest income	£0.049 m	
Cr Deferred capital receipt - long term debtor		£0.049 m

There were no uncorrected misstatements.

06 Value for Money Risks

Value for Money



Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion. For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Financial Resilience and Assessment of the Authority's Reserve Position

As part of our assessment of your proper arrangements, we considered the Authority's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2018 and at the 31 March 2021.

Our assessment of this is set out on the next page.

Overall conclusion

We did not identify any significant risks around these criteria. We are satisfied that the Authority has adequate arrangements in place in regard to financial resilience over the medium term (as set out on the following page).

We therefore expect to have 'no matters to report' about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money Considerations

What are our findings?

The Authority has historically performed well in relation to their outturn position for the year. In 2017/18 the Authority incurred a surplus of £4.9m chargeable to the General Fund and Housing Revenue Account (HRA) as set out in the Expenditure and Funding Analysis. The overall position against the budget set by the Authority was a surplus of £1.7m for general fund services and a surplus of £1.8m for the HRA.

The Authority currently has un-earmarked general fund reserves of £13.4m, which are above the minimum levels range set by the Authority's s151 officer (which are currently £5.25 million). These provide the Authority with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Authority's financial standing. The Authority plans to maintain this level of General Fund reserves indefinitely and we note that the projected general fund reserves in the Budget Setting Report (BSR) does not fall below the target level over the next 5 years.

The 2018/19 budget is balanced, through the use of efficiencies, income plans, but also the use of £0.479m of general fund reserves. The level of savings identified to date means that the saving targets for 2018/19 based on the BSR have been met. There are target savings required of £1m over the next 5 years. While incrementally savings can become harder to achieve over time, the Authority's performance in delivering its plans gives confidence that it can continue to do so.

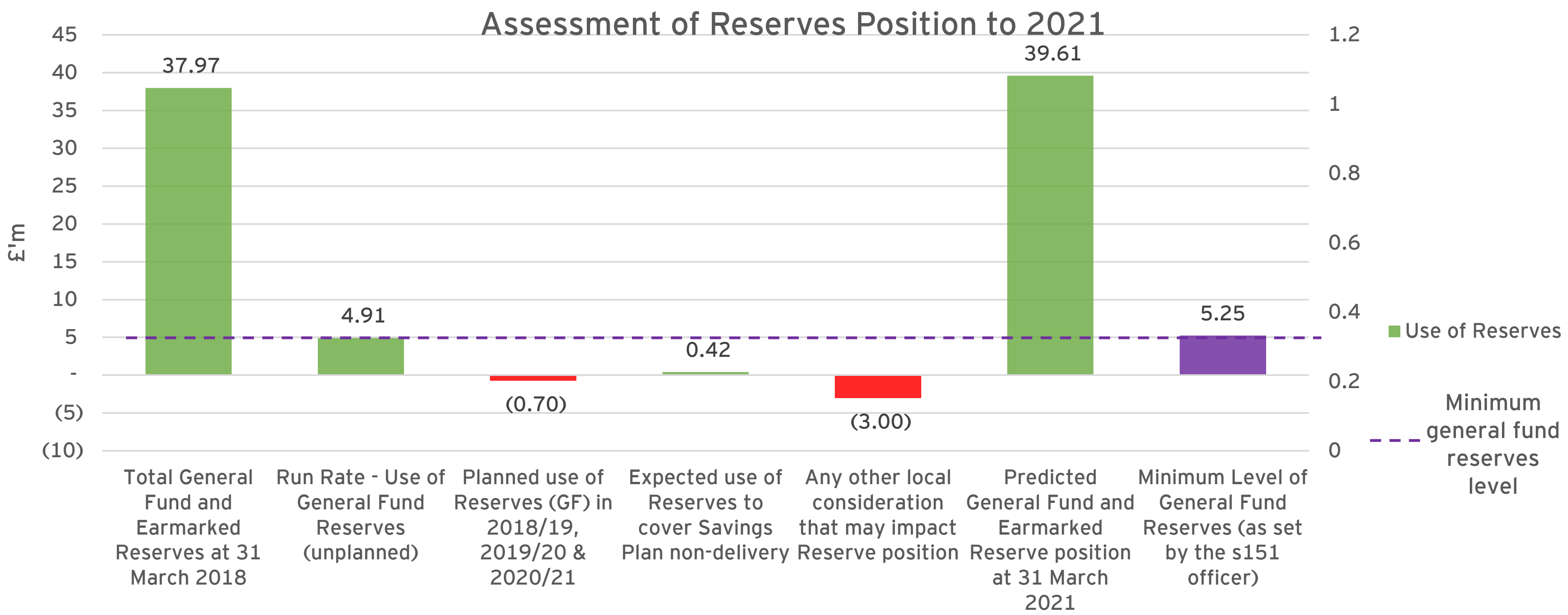
We also reviewed the key assumptions in the budget and MTFS, which adequately took into account the economic environment at that time for business rate projections, and the forecast for reduced central government funding and the potential settlement.

The Authority also has earmarked reserves (£24.6m at 31 March 2018) which have been established for a number of purposes, including an Invest for Income fund and Greater Cambridge Partnership Fund fund. The existence of these reserves provides further evidence of the Authority's prudent approach to financial management.

The savings plans set out in the BSR for 2019/20 onwards, when compared to a gross expenditure of approximately £140m per annum, equate to less than 1%. When combined with historic performance of savings achievement, we assess the Authority to have adequate arrangements, based on the known information as at the end of the financial year

Our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Authority's history of delivery has not identified any significant matters that we wish to report to you.

We have included a graphical representation of expected reserve movements over the next three years on the next page.



Our Assessment

In our assessment we considered:

- The Authority's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Authority's planned use of reserves to support the General Fund budget in each of the next 3 years;
- the Authority's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Authority's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- any other unusual future transactions or reliance upon the commercialisation agenda to derive future income streams, upon which the MTFS is reliant.

Based on the above and current circumstances, the Authority plans to maintain its combined General Fund and Earmarked reserve balances at the 31 March 2021 above it's approved minimum level demonstrating a high degree of financial resilience over the medium term.

07 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Cambridge City Council Statement of Accounts for the year ending 31 March 2018 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our findings are:

- Financial information in the Cambridge City Council Statement of Accounts for the year ending 31 March 2018 and published with the financial statements was consistent with the audited financial statements.
- We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have confirmed that the Authority are below the threshold for the completion of audit procedures over the Whole of Government Accounts (WGA) return. As such we are not required to complete any detailed work on the return. We will submit this audit results report to the NAO in line with their requirements.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.

08 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

09 Data Analytics

Data analytics – Journal Entry Analysis

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

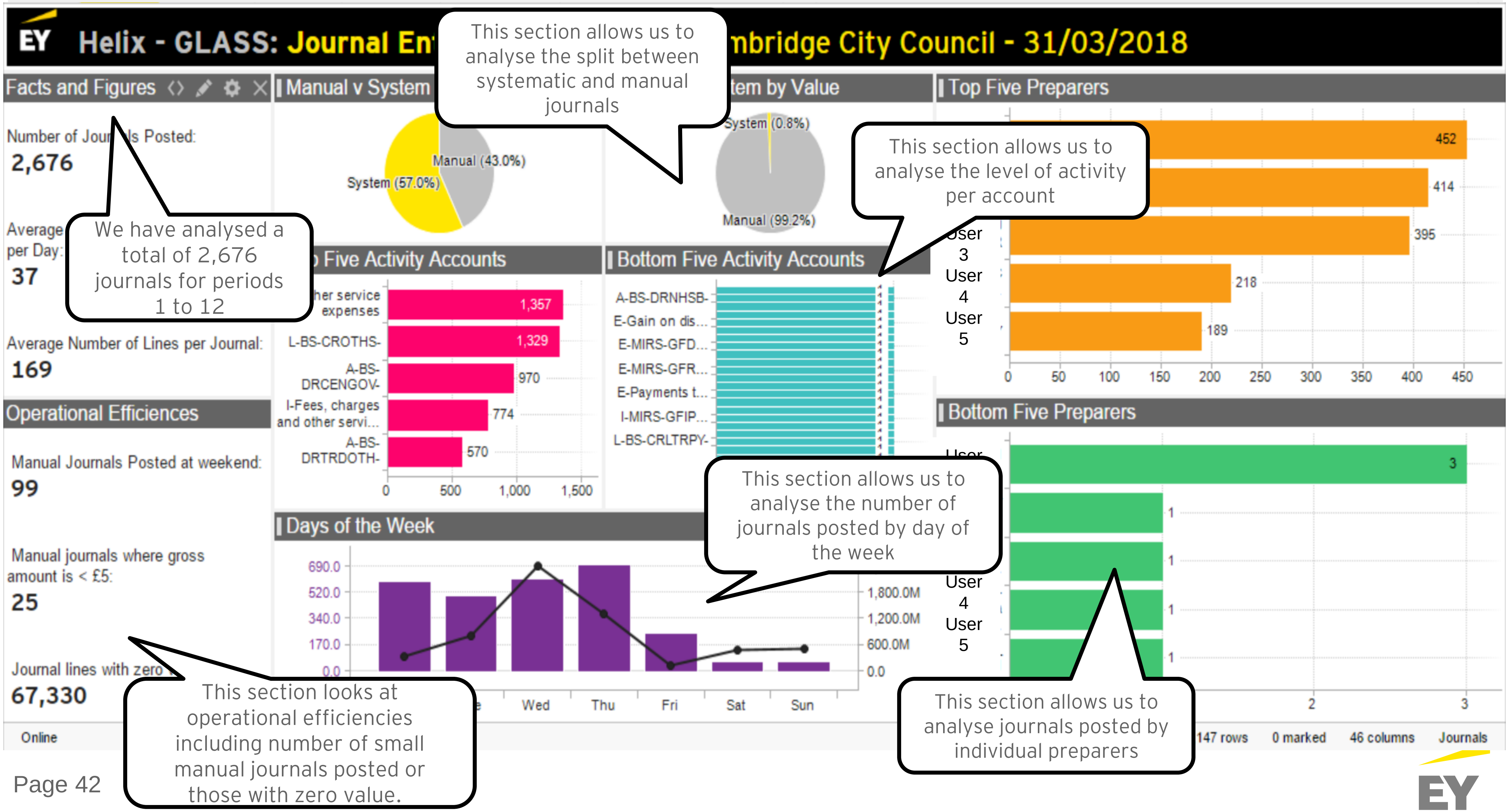
In 2017/18, our use of these analysers in the authority's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Journal Entry Data Insights

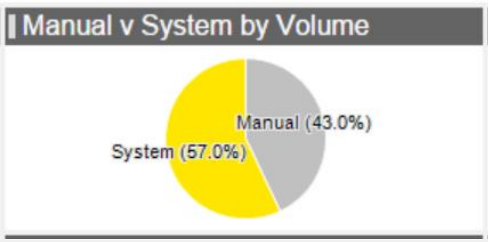
The graphic outlined below summarises the journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions. The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

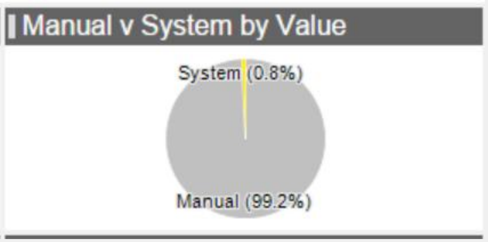


Journal Entry Testing

Journal entry observations

In performing audit procedures responding to the risk of management override, we use data analysis tools to review the use of journals within the financial ledger. As part of performing these procedures we make the following observations:





Facts and Figures

Number of Journals Posted:
2,676

Average Number of Journals Posted per Day:
37

Average Number of Lines per Journal:
169

Operational Efficiences

Manual Journals Posted at weekend:
99

Manual journals where gross amount is < £5:
25

Journal lines with zero value:
67,330

Over half of journals posted (57%) are posted by the system. These journals however, represent only 0.8% by value. Manual journal entries consist of 1,151 journals. In line with the presumed significant risk over management override of controls, we attribute a higher level of risk to manual journals as these are more likely to be subject to management bias and are usually of larger value. We have therefore tailored our testing strategy to focus on a sample of manual journals within relevant risk criteria.

There were also 67,330 journals posted with lines containing a nil value which is higher than what we would expect.

However, both of these anomalies in the analysis are being caused by the implementation of the new finance system in the year and relate to the manual journaling of balances across from your previous finance system.

10 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 14 February 2018.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Civic Affairs Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Civic Affairs Committee on 25 July 2018.

We confirm we have undertaken non-audit work outside the PSAA Code requirements in relation to our work on the Capital pooling receipts Return for 2016/17 which we set out in our audit planning report. We have adopted the necessary safeguards in our completion of this work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

We highlight the following relationships that may be reasonably considered to bear upon our objectivity and independence. However we have adopted the safeguards noted below to mitigate these threats.

Description of service	Related independence threat	Period provided	Safeguards adopted and reasons considered to be effective
We were engaged to undertake the audit of the Capital pooling receipts Return for 2016/17 at the request of the Authority.	Self review threat - figures included in the return were also included in the 2016/17 financial statements.	Relates to 2016/17 return for the period to 31 March 2017.	We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2016/17. The agreed upon procedures focus on the specific requirements of the certification arrangements and no reliance is placed on this work for the purposes of the financial statements audit. No other threats to independence have been identified.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included above.

We confirm that none of the services has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm we have undertaken non-audit work outside the PSAA Code requirements in relation to our work on the 2016/17 Pooling of Housing Capital Receipts Return which was completed during the 2017/18 financial year. We have adopted the necessary safeguards in our completion of this work.

Non-audit work is work not carried out under the Code. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in Month Year.

	Final fee 2017/18	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£	£
Standard fee	51,979	51,979	51,979	51,979
Group reporting	7,500 - 10,500	7,500 - 10,500	N/A	4,530
Capital transactions	7,500 - 10,500	2,000 - 7,500	N/A	N/A
FMS implementation	19,978	10,000-25,000	N/A	N/A
Cash flow restatement	750	750	N/A	N/A
Total audit fee - code work	87,707 - 93,707	72,229 - 95,729	51,979	56,509
Other non-audit services not covered above (Housing Benefits)	15,077	15,077	15,077	15,438
Other non-audit services not covered above (pooling return)	3,750	3,500 - 4,000	N/A	N/A
Total other non-audit services	18,827	18,577 - 19,077	15,077	15,438
Total fees	106,534 - 112,534	90,806 - 114,806	67,056	71,947

All scale fee variations will be subject to agreement with the PSAA.

11 Appendices

Appendix A

Required communications with the Civic Affairs Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Civic Affairs Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - 14 February 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - 14 February 2018
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit results report - 25 July 2018
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report - 25 July 2018
Subsequent events	▸ Enquiry of the Civic Affairs Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	No matters have been identified.

Appendix A

Required communications	What is reported?	Our Reporting to you: When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Cambridge City Council's ability to continue for the 12 months from the date of our report.
Fraud	▸ Enquiries of the Civic Affairs Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Civic Affairs Committee responsibility.	Audit results report – 25 July 2018
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report – 14 February 2018 and Audit results report – 25 July 2018

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority	Audit results report – 25 July 2018
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures.	We have no matters to raise in this regard.
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Civic Affairs Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Civic Affairs Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▶ Significant deficiencies in internal controls identified during the audit.	Audit results report – 25 July 2018

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Planning Report – 14 February 2018 and Audit results report – 25 July 2018
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report – 25 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – 25 July 2018
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report – 25 July 2018
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Planning Report – 14 February 2018 and Audit results report – 25 July 2018
Certification work	▸ Summary of certification work	Certification Report

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 OWZ

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Cambridge City Council ("the Group and Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Cambridge City Council as of 31 March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

Management representation letter

Management Rep Letter

The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council that are free from material misstatement, whether due to fraud or error.

We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because they are not considered to be material to the financial statement either quantitatively or qualitatively.

B. Non-compliance with law and regulations, including fraud

We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Management representation letter

Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

We have made available to you all minutes of the meetings of the Council, and relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 25 July 2018.

We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm that there are no guarantees given to third parties to disclose in the consolidated and council financial statements.

Management representation letter

Management Rep Letter

E. Subsequent Events

Other than described in Note 44 to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

We confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

G. Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement, Annual Governance Statement and Glossary of Financial Terms and Abbreviations.

We confirm that the content contained within the other information is consistent with the financial statements.

H. Comparative information – corresponding financial information

The Cash Flow Statement has previously been presented using the direct method. The Council has changed the method of presentation to the indirect method for the 2017/18 financial statements. The prior year comparatives have been restated using the indirect method.

In the 2016/17 Statement of Accounts the Expenditure and Funding Analysis (EFA) was presented with the primary financial statements. This analysis has been moved to Note 1 to the financial statements. The EFA has also been expanded to include an additional reconciliation to the outturn reported to Members. This additional reconciliation has been added to the prior year comparative.

The comparative amounts have been correctly restated to reflect the above matters and appropriate note disclosure of these restatements have also been included in the current year's consolidated and council financial statements.

I. Going Concern

We have made you aware of any issues that are relevant to the Group and Council’s ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Management representation letter

Management Rep Letter

J. Use of the Work of a Specialist – Property, plant and equipment

We agree with the findings of the specialists that we engaged to evaluate the Valuation of Property Plant and Equipment and Investment Properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Valuation of Property, Plant and Equipment Assets and Investment Properties

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations for property, plant and equipment, or for those investment properties not revalued at 31 March 2018, and that they are not materially misstated.

We confirm that for assets carried at historic cost that no impairment is required

L. Use of the Work of a Specialist – Pension Liabilities

We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Management representation letter

Management Rep Letter

M. Valuation of Pension Liabilities

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

N. Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the business rate appeals provision and the fair value of financial liabilities disclosure and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

O. Ownership of Assets

Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.

P. Reserves

We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

Q. Valuation of NNDR appeals provision

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Management representation letter

Management Rep Letter

We confirm that the significant assumptions used in making the NNDR appeals provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate is complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We confirm that no adjustments are required to the accounting estimate and disclosures in the consolidated and council financial statements due to subsequent events.

R. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

____

Head of Finance (Chief Financial Officer)

____

Chairman of the Civic Affairs Committee

EY | Assurance | Tax | Transactions | Advisory

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