

# Statement of Accounts



**For the year ended  
31 March 2020**

Cambridge City Council

# Cambridge City Council

## Statement of Accounts 2019/20

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# Narrative Report

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The Statement of Accounts, set out on pages 1 to 99, contains a series of statements, summarising the financial implications to the Council of delivering services in the period from 1 April 2019 to 31 March 2020. 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 2019/20' (the 'Code'). The Code is based on International Financial Reporting Standards (IFRS) and sets out the format and content of the key financial statements and accompanying notes in this publication.

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

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

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

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

- ◆ understand the overarching financial position of the Council;
- ◆ have confidence that public money has been accounted for in an appropriate manner; and
- ◆ be assured that the financial position of the Council is sound and secure.

## Review of 2019/20

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

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

## Corporate Plan – Review of 2019/20

The Cambridge City Council Corporate Plan 2019-22 lists the key activities which the Council has planned to undertake over a three-year period in order to achieve its strategic objectives and vision. For the first year of the current Corporate Plan, the Council's headline achievements have been:

### Helping people in Cambridge who have the greatest need

- ◆ Commenced construction of 189 new council homes, including 8 flats provided for Housing First (a scheme to place rough sleepers with complex needs straight into self-contained accommodation with intensive support), and successfully re-let 360 empty Council homes.
- ◆ Helped with home adaptations for over 100 Council tenants with disabilities so that housing continued to meet their needs, and provided assistance with adaptations to 50 disabled households in the City through the Cambridgeshire Home Improvement Agency (CHIA).
- ◆ Delivered on the Council Fire Safety Strategy making our buildings safer for our residents.
- ◆ Carried out and published a Homelessness Review ahead of a new strategy in 2020-21.
- ◆ Overseen the growth of the Street Aid scheme in partnership with local businesses, in which members of the public give donations which are then recycled to provide grants to street based people. Over £100,000 has been raised since 2017.
- ◆ Resettled over 120 refugees into the local community through the Home Office programme, jointly working with local groups and South Cambridgeshire District Council.
- ◆ Supported a programme to address food poverty in the city, including holiday lunches, community fridges and local food hubs. During 2019/20, 3,865 lunches were provided at nine different venues.
- ◆ Continued to support residents and families to manage their costs and finances through the employment of Financial Inclusion and Fuel & Water Poverty officers.
- ◆ Continued to promote the Real Living Wage to employers in Cambridge, with direct support having been provided over the years to 40 out of the 74 Cambridge employers who were accredited with the Living Wage Foundation at the end of March 2020.
- ◆ Worked successfully with Cambridgeshire County Council and a new service provider to transfer the Council's extra care service at Ditchburn Place and, in so doing, protected the long-term future of the service.
- ◆ Provided a programme of free swimming sessions for young children at the Kings Hedges and Abbey swimming pools, via the Sure Start scheme which attracted around 2,200 swims by families to these sessions.

### Planning for growth and ensuring our new communities are successful

- ◆ Continued to develop plans for Cambridge Northern Fringe East following last year's announcement of £227 million of funding from the government's Housing Infrastructure Fund for the relocation of the waste water treatment centre. The relocation will release a large area of brownfield land creating the opportunity for more than 5,600 new homes and one million square feet of commercial space.

# Narrative Report

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- ◆ Progressed the delivery of schemes which include the provision of community facilities, including submission of a planning application for redevelopment of The Meadows and Buchan Street community centre sites with over 100 new council rented homes and a new community hub.
- ◆ Commenced construction of new community centres at Akeman Street (including relocation to a temporary facility to prevent disruption of community activity), and Mill Road Ironworks (bringing together two community organisations in a partnership to operate this new building).
- ◆ Supported a range of neighbourhood projects to encourage development of new community activities and groups, including the provision of 14 community chest awards made to new projects in growth areas (12 in Eddington and 2 in the Southern fringe of the city).
- ◆ Submitted a planning application and agreed a funding strategy for a community extension to Cherry Hinton Library.
- ◆ Supported new communities and those already living nearby with a series of forums involving key stakeholders such as developers and planning officials.
- ◆ Completed a new communities survey of residents of new housing delivered on the Southern fringe of the city.

## **Protecting our environment and tackling climate change**

- ◆ Ensured that all development schemes meet the Cambridge Sustainable Housing Design Guide, and that community centres being delivered as part of the schemes meet the BREAM Very Good standard.
- ◆ Completed the installation of external wall insulation to 50 council homes to improve energy efficiency and reduce fuel costs for residents.
- ◆ Enabled 11 non-council homeowners to improve the energy efficiency and repair of their homes through discretionary grant funding through the CHIA.
- ◆ Continued to investigate further options for generating green energy to reduce the carbon footprint of the leisure portfolio.
- ◆ In support of the Council's Emergency Biodiversity Motion, stopped the use of herbicides in Council parks and open spaces, and converted seasonal ornamental flower beds into insect friendly, low maintenance perennial meadows in order to boost their wildlife value and remove the need for wasteful watering and weeding.
- ◆ Secured Green Flag Awards for two of the city's favourite green spaces – Christ's Pieces and Cherry Hinton Hall. The Green Flag Award scheme, run by the environmental charity Keep Britain Tidy, recognises parks and green spaces that achieve the highest possible environmental standards, are well maintained, engage the local community and have excellent facilities for visitors.

## **Delivering quality services within financial constraints**

- ◆ Delivered a large programme of planned maintenance work to council homes with over 6,000 individual elements of work completed, consistently achieved high levels of customer satisfaction and completed work within budgets.
- ◆ Completed 14,446 responsive repair jobs for our Council tenants with an overall customer satisfaction of 98.8%.

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- ◆ Reduced the time taken to complete disabled adaptations in non-council housing by 50%.
- ◆ Arranged training by the Local Government Ombudsman's office to improve complaint handling by City Council services.
- ◆ Increased the number of surgeries around the city making free exercise referrals for people whose medical conditions would benefit from exercise. Over 8 practices are regularly signposting patients to join the scheme with over 160 referrals in 9 months, of which 82% completed the 12-week course.
- ◆ Our Streets and Open Spaces grounds maintenance service was a finalist in the APSE (Association for Public Service Excellence) Most Improved Service Parks, Open Spaces and Horticultural Services national awards category. This is the second year in a row the service has reached the finals in this national awards category.
- ◆ In December 2019, the Council became Domestic Abuse Housing Alliance (DAHA) accredited.

## **Developing effective partnerships and an innovative and dynamic organisation**

- ◆ Responded to the COVID-19 pandemic by ensuring the safe delivery of essential services to the City, and integration of the Council into the Cambridge and Peterborough Local Resilience Forum (CPLRF) delivering a multi-agency co-ordinated response (with work commencing in February 2020).
- ◆ Maintained a successful working partnership with Hill through the Cambridge Investment Partnership as a vehicle for facilitating council housing delivery, with 418 new affordable homes and a further 318 market homes having now achieved planning permission over 13 mixed tenure schemes.
- ◆ Worked with City Homes, police and residents groups to implement a programme of estate improvements, including improvements to car parks, fences, cycle stores and lighting.
- ◆ Completed an agreement for a new aparthotel and car park as part of the redevelopment of Park Street Car Park. The new hotel will be all electric with no gas and the 225 space car park will have provision for all spaces to have charging for electric vehicles. The completed scheme will be part of the Council's commercial property portfolio providing new and diverse income streams.
- ◆ Completed the roll-out of Council Anywhere devices to all staff, allowing for more flexible and remote working.
- ◆ Continued investment in career development opportunities through the expansion of the apprenticeship scheme which has 38 colleagues engaged in apprenticeships across the Council. This year the apprenticeship scheme now includes the new Building Control Degree Apprenticeship with 3 apprentices enrolled. This investment over 4 years is funded through the apprenticeship levy and will further improve our capacity to deliver expert professional services within Building Control.
- ◆ The CHIA were awarded South Cambridge District Council's 2019 Team of the Year Award in recognition of their improved performance, and the Shared Service Agreement was renewed for a further 3 years.
- ◆ Trained CHIA staff as Level 4 Trusted Assessors to improve the pathway for disabled residents and support the Occupational Therapists to move towards delivering 'adaptations without delay'.



# Narrative Report

- ◆ Working in partnership with Cambridge BID, CAMBAC (Cambridge Business Against Crime) and Cambridgeshire Constabulary, secured Purple Flag accreditation for the standard of the Council's partnership work managing the city's evening and night-time economy. The national Purple Flag programme, run by ATCM (Association of Town and City Management), is awarded to UK towns and cities which demonstrate how they provide a vibrant and diverse mix of dining, entertainment and cultural activities, while promoting the safety and wellbeing of visitors and local residents.

## Review of Financial Performance 2019/20

### Revenue Spending and Income

#### General Fund Services

For 2019/20, the Council agreed a budget for net spending by committees of £18.1 million. The council tax for City Council services was set at £197.50 for Band D properties. The outturn figures, as reported to members, do not reflect a number of statutory accounting adjustments made at the year-end or the presentational requirements of the Code.

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

(£000s)	Final budget	Actual	Difference
Climate Change, Environment and City Centre	6,544	6,405	(139)
Communities	6,722	6,885	163
General Fund Housing	2,201	2,303	102
Planning Policy and Open Spaces	7,101	7,134	33
Transport and Community Safety	(3,066)	(3,240)	(174)
Finance and Resources	(4,977)	(5,968)	(991)
Strategy and External Partnerships	6,842	6,856	14
<b>Total portfolio expenditure</b>	<b>21,367</b>	<b>20,375</b>	<b>(992)</b>
Capital accounting adjustments	(6,353)	(6,630)	(277)
Capital plan expenditure funded from General Fund reserves	3,126	2,517	(609)
<b>Total</b>	<b>18,140</b>	<b>16,262</b>	<b>(1,878)</b>
<b>Financed by:</b>			
Settlement Funding Assessment (net non-domestic rates share plus compensatory government grants)	(5,440)	(5,995)	(555)
New Homes Bonus	(5,504)	(5,504)	0
Other grants	(32)	(32)	0
Council tax	(8,627)	(8,634)	(7)
Net contributions to / (from) earmarked reserves – before year-end accounting adjustments	2,708	2,550	(158)
Contributions to / (from) General Fund reserves	(1,245)	1,353	2,598
<b>Total</b>	<b>(18,140)</b>	<b>(16,262)</b>	<b>1,878</b>

The Council's actual net portfolio revenue expenditure was £1,878,000 less than the final budget set for the year. A variety of factors contributed to this overall position, including underspends on the programme office, overachievement of income on commercial property,

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and reduced capital expenditure financed from revenue caused in part by delays to the capital programme.

Under statutory regulation the amount of business rates credited to the General Fund in 2019/20 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 £555,000 above the budget.

As noted above the outturn presentation differs from that required by the Code for the Statement of Accounts. The table below reconciles the difference between the total spend as reported at outturn with the amount chargeable to the General Fund. A further reconciliation between this amount and the amount recognised in the Comprehensive Income and Expenditure Statement is provided within the Expenditure and Funding Analysis at note 1 to the Main Financial Statements.

(£000s)	Actual per outturn report	Depreciation and amortisation	Interest and property income reported below net cost of services in the CIES	Application of earmarked reserves for capital financing	Other adjustments	Net amount chargeable / (credited) to the General Fund
Climate Change, Environment and City Centre	6,405	(685)	39	0	(46)	5,713
Communities	6,885	(2,086)	3	0	685	5,487
General Fund Housing	2,303	(108)	40	0	791	3,026
Planning Policy and Open Spaces	7,134	(653)	227	0	(244)	6,464
Transport and Community Safety	(3,240)	(1,830)	41	0	55	(4,974)
Finance and Resources	(5,968)	(1,353)	9,185	0	(164)	1,700
Strategy and External Partnerships	6,856	(9)	531	0	(634)	6,744
Other operating income and expenditure	0	0	(10,066)	0	536	(9,530)
<b>Total portfolio expenditure</b>	<b>20,375</b>	<b>(6,724)</b>	<b>0</b>	<b>0</b>	<b>979</b>	<b>14,630</b>
Capital accounting adjustments	(6,630)	6,724	0	0	(117)	(23)
Capital plan expenditure funded from General Fund reserves	2,517	0	0	8,902	212	11,631
Other statutory adjustments	0	0	0	0	95	95
<b>Total</b>	<b>16,262</b>	<b>0</b>	<b>0</b>	<b>8,902</b>	<b>1,169</b>	<b>26,333</b>
<b>Financed by:</b>						
Settlement Funding Assessment (net non-domestic rates share plus compensatory government grants)	(5,995)	0	0	0	73	(5,922)
New Homes Bonus	(5,504)	0	0	0	0	(5,504)
Other grants	(32)	0	0	0	(630)	(662)
Council tax	(8,634)	0	0	0	0	(8,634)
Net contributions to/(from) earmarked reserves	2,550	0	0	(8,902)	(910)	(7,262)
Contributions to/(from) General Fund reserves	1,353	0	0	0	298	1,651
<b>Total</b>	<b>(16,262)</b>	<b>0</b>	<b>0</b>	<b>(8,902)</b>	<b>(1,169)</b>	<b>(26,333)</b>



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Overall, a net contribution to General Fund reserves of £1,651,000 has been reflected in the financial statements against a budgeted use of reserves of £1,245,000. At 31 March 2020 the reserve stood at £17,428,000.

### Housing Revenue Account

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Scrutiny Committee in June 2020, with the final budget for 2019/20.

(£000s)	Final budget	Actual	Difference
Dwellings rents and other income	(41,687)	(42,124)	(437)
Expenditure	30,023	28,862	(1,161)
<b>Net cost of HRA services</b>	<b>(11,664)</b>	<b>(13,262)</b>	<b>(1,598)</b>
Interest receivable on HRA balances	(544)	(873)	(329)
Loan interest	7,507	7,494	(13)
Direct revenue financing of capital	2,568	1,672	(896)
Contributions to HRA earmarked reserves from general HRA reserves – before statutory adjustments	1,854	1,576	(278)
<b>(Surplus) / deficit for the year</b>	<b>(279)</b>	<b>(3,393)</b>	<b>(3,114)</b>

Income was slightly over-achieved overall. Both rental and service charge income were above budget due to a combination of fewer right to buy sales than anticipated, and delays in vacating homes earmarked for redevelopment and their short term use as temporary housing.

Expenditure was below budget for a number of reasons including reduced depreciation charges following downwards revaluation of assets in 2018/19, underspends on contributions towards the cost of corporate change and housing transformation, lower than anticipated contributions towards the bad debt provision, and lower than anticipated spend on repairs and maintenance due in part to reduced reliance on sub-contractors.

Overall, the final outturn position in the Statement of Accounts (following statutory and other adjustments) was a contribution to HRA reserves of £3,463,000 against a budgeted contribution to reserves of £279,000. HRA reserves stood at £15,083,000 at 31 March 2020.

### Earmarked Reserves

There was an overall decrease in General Fund earmarked reserves of £7,262,000 in 2019/20. The most significant movements were an £8,000,000 contribution from the Invest for Income reserve to finance capital expenditure on commercial property, and a contribution of £691,000 (net of in-year expenditure) to the vehicle repairs and renewals reserve.

There was an overall increase in HRA earmarked reserves of £1,576,000. This included a contribution of £1,561,000 to a fund for possible future redevelopment or debt redemption.

# Narrative Report

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## Capital Spending and Receipts

In 2019/20 the Council spent £42,342,000 on property, plant and equipment. Of this, £10,401,000 was on council dwellings (including both new build completions and major repairs and improvements to existing dwellings), £751,000 on other land and buildings, £1,231,000 on vehicles, plant and equipment, £1,223,000 on infrastructure, £6,000 on community assets and £28,730,000 on assets under construction. Of the assets under construction spend, £25,058,000 was on new housing developments. £5,310,000 of new council dwellings were completed in year and therefore transferred from assets under construction at the end of the year. These included 32 new dwellings at Anstey Way, and a further 10 new dwellings on former garage sites.

In addition to the above, the Council also spent £5,413,000 on its investment property portfolio, consisting of £5,277,000 on the acquisition of freehold property and £136,000 in enhancements to its existing properties.

Capital receipts continued to be generated through the sale of land, council houses, shared ownership dwellings and other property. Disposal proceeds for the year were £6,413,000 (including £11,000 to be received in future years), of which £6,339,000 was in relation to the disposal of housing properties. £1,134,000 of housing receipts were paid to central government.

The Council's future commitments under capital contracts are detailed further at 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 £26,361,000 to £808,324,000 and the value of investment property decreased by £8,060,000 to £162,722,000 as at 31 March 2020. Although these movements appear significant, it should be noted that revaluation gains and losses are not realised until asset disposals take place.

## Liabilities

The Council did not need to undertake any new external borrowing during the year. The external debt of £213.6 million shown in the Balance Sheet at the end of the financial year relates to borrowing undertaken in 2011/12 to meet a one-off debt settlement payment to central government in relation to new self-financing arrangements for the Housing Revenue Account.

The Council's share of the assets and liabilities of the Cambridgeshire Pension Fund show an estimated net liability of £102.8 million as at 31 March 2020. This liability has no impact on the level of the Council's usable reserves.

The net pension liability has decreased this year by £35.2 million. This net figure reflects a number of factors used by the actuary to estimate the Council's scheme liabilities. Further information on this change and relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented at note 34.

## Cash Flows

The balance of cash and cash equivalents at 31 March 2020 was £11,590,000. This excludes the Council's investments in fixed term deposits and other long term investments which are detailed at note 22. Further information on cash flows for the year can be found in the Cash Flow Statement and accompanying notes (notes 35-38).

## Council Staff

The number of staff employed by the Council increased during the year from 683 full-time equivalents at 31 March 2019 to 700 at 31 March 2020.

## Trade Union Facility Time

Details of trade union facility time can be found at [www.cambridge.gov.uk/open-data](http://www.cambridge.gov.uk/open-data).

## Group Performance

The Statement of Accounts includes the Group Financial Statements which includes the performance of the Council's wholly owned subsidiaries, Cambridge City Housing Company and the Cambridge Live Group and that of the Cambridge Investment Partnership, a joint venture.

## Impact of COVID-19

The COVID-19 pandemic has had a significant impact on the Council, although the vast majority of the financial impact will be in 2020/21 and possibly beyond. Following a detailed assessment, the Council does not consider that the situation introduces material uncertainty in respect of its ability to continue as a going concern for the foreseeable future. Further information is set out in the Statement of Accounting Policies, 1 General Principles on page 77.

## Looking Ahead to 2020/21

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

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

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

## Further Information

Further information about the accounts is available from:

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

# Statement of Responsibilities

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## 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code').

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

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

The Head of Finance has also:

- ◆ kept proper accounting records which were up to date; and
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Opinion

I certify that the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2020 and of its income and expenditure for the year then ended.

**Caroline Ryba, Head of Finance**

**XX November 2020**

I confirm that these accounts were approved by the Civic Affairs Committee at its meeting held on 25 November 2020.

**Cllr Mike Sargeant, Chair of Civic Affairs Committee**

**XX November 2020**

# Annual Governance Statement

## Introduction and Purpose

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

## Definition of Corporate Governance

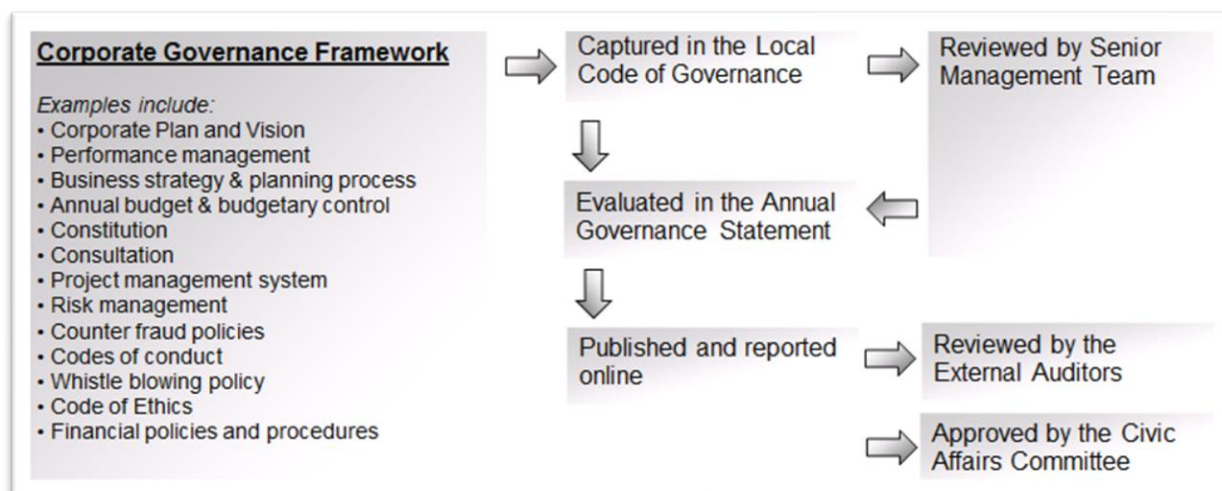
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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

## The Governance Framework

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

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



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

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

<sup>1</sup> <https://www.cambridge.gov.uk/vision-statement>



# Annual Governance Statement

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The Council produces a [Corporate Plan](#)<sup>2</sup>, which includes five strategic-level objectives for 2019/20:

- ◆ Helping people in Cambridge who have the greatest need
- ◆ Planning for growth and ensuring our new communities are successful
- ◆ Protecting our environment and tackling climate change
- ◆ Delivering quality services within financial constraints
- ◆ Developing effective partnerships and an innovative and dynamic organisation

The Council prepares an Annual Report illustrating progress against the plan each year, and this is published on the [website](#)<sup>3</sup>.

The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

## Local Code of Governance

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

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

- A. behaving with integrity and in accordance with our core values
- B. being open and ensuring effective engagement takes place
- C. working together to achieve our intended outcomes
- D. setting goals for economic, social and environmental benefits and reaching them
- E. growing our capacity – including our leadership and the people who work with us
- F. managing risks and performance through robust internal control and strong financial management
- G. implementing good practice in transparency, reporting and audit – delivering effective accountability

## Roles and Responsibilities

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

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<sup>2</sup> <https://www.cambridge.gov.uk/corporate-plan>

<sup>3</sup> <https://www.cambridge.gov.uk/corporate-plan>

<sup>4</sup> <https://www.cambridge.gov.uk/code-of-corporate-governance>

# Annual Governance Statement

Governance structures	Roles and responsibilities
<b>Council</b>	Council agrees the budget and policy framework, such as the Corporate Plan and Medium Term Financial Strategy. Further details are published on our <a href="#">website</a> <sup>5</sup> .
<b>The Executive</b>	<p>The Executive comprises the Leader of the Council and six Executive Councillors. The Executive Councillors make decisions relating to the major service areas.</p> <p>These Councillors can make decisions individually, usually at a meeting of a scrutiny committee relevant to their executive area. They also meet collectively to determine the Council's budget and Medium Term Financial Strategy. Further details are published on our <a href="#">website</a><sup>6</sup>.</p>
<b>Scrutiny and overview committees</b>	<p>To balance the Executive's powers, scrutiny committees are responsible for advising and reviewing decisions. They hold the Executive to account to make sure the best decisions are taken for the Council and local residents. Further details are published on our website:</p> <ul style="list-style-type: none"> <li>◆ <a href="#">Environment and Community Scrutiny Committee</a><sup>7</sup></li> <li>◆ <a href="#">Housing Scrutiny Committee</a><sup>8</sup></li> <li>◆ <a href="#">Planning and Transport Scrutiny Committee</a><sup>9</sup></li> <li>◆ <a href="#">Strategy and Resources Scrutiny Committee</a><sup>10</sup></li> </ul>
<b>Strategic Leadership Team</b>	The management structure includes a Strategic Leadership Team of a Chief Executive, Strategic Directors, the Head of Corporate Strategy, the Head of Finance, and the Head of Transformation. It is supported by a senior management. Both teams consider policy formulation and future planning. Further details are published on our <a href="#">website</a> <sup>11</sup> .
<b>Civic Affairs Committee</b>	<p>The Civic Affairs Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council and is responsible for corporate governance issues including:</p> <ul style="list-style-type: none"> <li>◆ electoral issues;</li> <li>◆ audit and regulatory financial matters;</li> <li>◆ civic and democratic process management issues; and</li> <li>◆ miscellaneous regulatory responsibilities.</li> </ul> <p>It works closely with both Internal Audit and senior management to continually improve the governance, risk and control environment. Meetings details and minutes are published on the <a href="#">website</a><sup>12</sup>.</p>

<sup>5</sup> <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=116>

<sup>6</sup> <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=175>

<sup>7</sup> <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=476>

<sup>8</sup> <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=414>

<sup>9</sup> <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=475>

<sup>10</sup> <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=159>

<sup>11</sup> <https://www.cambridge.gov.uk/senior-council-officers>

<sup>12</sup> <https://democracy.cambridge.gov.uk/mgCommitteeDetails.aspx?ID=179>

# Annual Governance Statement

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## Purpose of the Annual Governance Statement

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

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

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

## Statutory Compliance

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

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

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

## Other Review and Assurance Mechanisms

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

## Head of Internal Audit Opinion

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

The [Annual Report](#)<sup>13</sup> was presented to the Civic Affairs Committee in July 2020. This report outlined the key findings of the internal audit work undertaken during 2019/20, including any areas of significant weakness in the internal control environment.

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

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<sup>13</sup> <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=179&MId=3923&Ver=4>

# Annual Governance Statement

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It is the opinion of the Head of Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2019/20, and this remains at a similar level to the previous year.

## External Audit

EY are the appointed external auditor, and their [results report](#)<sup>14</sup> (ISA260) was presented to the Civic Affairs Committee in June 2020.

For 2018/19 EY issued "unqualified" audit opinions on the financial statements, value for money conclusion and whole of government accounts which provided assurance to the Council.

## Public Services Network

The Council completed the Cabinet Office compliance verification process for the Public Services Network Code of Connection (PSN), and a certificate was issued. This demonstrated that the information technology infrastructure was sufficiently secure to connect to the PSN.

## DAHA Accreditation

The Council was awarded Domestic Abuse Housing Alliance (DAHA) accreditation, which is the national benchmark for how housing providers should respond to domestic abuse.

## Impact of Coronavirus

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

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

In response we have implemented mitigating measures through our business continuity framework, with continuous risk management. This has helped us to maintain our governance arrangements during the pandemic.

Specific references due to the impact of COVID-19 are also included below where it helps to communicate the impact, risks and mitigating controls.

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<sup>14</sup> <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=179&MId=3919&Ver=4>

# Annual Governance Statement

## Progress From the Last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2018/19](#)<sup>15</sup> which was approved by the Civic Affairs Committee. An update on the previous action plan is included below:

Action	Update and status
There are a number of potential risks associated with Brexit, and the Council has been proactively managing these.	<p>Internal audit independently reviewed the management of risks related to Brexit and this helped to provide assurance that the Council was taking all reasonable steps.</p> <p>Potential considerations include legislative risk, where functions are defined by EU standards and regulations, and supply chain risk which may impact the availability of resources.</p> <p>The Council has also been working with the Cambridgeshire Resilience Forum, to help manage the impact to communities across Cambridgeshire. The Council will continue to identify and manage the relevant risks over the next 12 months.</p>
The Council is committed to delivering effective business transformation, through robust accountability, risk management, performance and scrutiny, for significant projects.	<p>The Council has been delivering business transformation with the assistance of the new Enterprise Portfolio Management System. This is a computer application which is designed to improve the management and monitoring of project delivery through smarter working.</p> <p>The Council has also established a Quality Assurance Group, comprising officers from across the Council, with the aim of providing quality assurance in the delivery of projects and programmes from inception to delivery.</p>
The Council decided to bring the charity 'Cambridge Live' back in-house in December 2018. The decision was made in the best interests of the beneficiaries of these services and to ensure a successful and financially sustainable future for all cultural activity covered by the contract.	<p>Bringing services back in-house has potential risks and opportunities, and the Council has been actively managing these. Detailed financial modelling work was undertaken, to ensure a smooth transfer for services, staff and customers. The immediate priority was to stabilise the organisation and manage the transition well. Considerable effort has been made to improve services and internal processes, however COVID-19 has had a significant impact on this process and this will continue to be reviewed in light of the current situation.</p>

<sup>15</sup> <https://www.cambridge.gov.uk/statement-of-accounts>

# Annual Governance Statement

Action	Update and status
<p>The Council has a positive track record of responding to and managing unplanned events.</p> <p>It is important that the Council continues to be prepared for unknown events and has robust Business Continuity arrangements. Our capability should continuously be reviewed as we increasingly leverage use of technology for smarter working.</p>	<p>As good practice we reviewed the effectiveness of the Business Continuity arrangements, through lessons learnt, and communicated any opportunities for improvement throughout the organisation.</p> <p>A number of unplanned Information Technology disruptions occurred during the previous year. These specific issues were resolved and have not reoccurred.</p> <p>Business Continuity arrangements have been tested further through major unplanned disruptions (protesting and the COVID-19 pandemic). We had already deployed Council Anywhere technology which supports agile and remote working. Our reliance on the use of technology has been thoroughly tested through both these events, and the Council has responded well and continued to provide services, and adapted by holding Committee meetings online.</p>
<p>There are potential risks which could adversely impact our finance and resources, caused by unplanned events from external sources and changes in legislation. Examples include business rates retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit.</p>	<p>The Council manages its financial risks, undertakes financial modelling, and reports long term budgets through the Medium Term Financial Strategy. This considers known external factors, including the overall economic climate, and external funding levels which can reasonably be expected; as well as the existing commitments of the Council.</p> <p>There is potential for additional financial pressures, which could be challenging to manage over the longer term, should uncertain risks materialise and if funding is less than budgeted. Consequently, this could impact our capacity to maintain service delivery. The Fair Funding review has been delayed by central government.</p> <p>The Council will continue to prepare for these risks, and respond to any further pressures, by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures.</p>

## Review of Effectiveness

The Council has a number of policies and procedures which are recorded in its [Local Code of Governance](#)<sup>16</sup>. These are mapped to the seven principles of good governance.

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

The Council is involved in partnership working and has group relationships with other entities. Cambridge City Housing Company Ltd, Cambridge Investment Partnership LLP,

<sup>16</sup> <https://www.cambridge.gov.uk/code-of-corporate-governance>



# Annual Governance Statement

and the Cambridge Live Group are incorporated into Group Financial Statements in our Statement of Accounts. Activities of the Group are also reflected in our review of effectiveness where these have a significant impact on our governance arrangements.

The review concludes that the Council has complied with its Code. Additional examples of good practice, emerging controls, and governance issues from the last twelve months, considered when completing the review are recorded below, and may be incorporated into the next revision of the Code where appropriate:

Principle	Review of effectiveness
<b>A Behave: integrity, ethical values, respect rule of law</b>	<ul style="list-style-type: none"> <li>◆ The <a href="https://www.cambridge.gov.uk/local-code-of-governance">Local Code of Governance</a><sup>17</sup> was reviewed and updated to reflect the latest professional standards and guidance.</li> <li>◆ The Housing Scrutiny Committee approved the Tenancy Strategy, which is a statutory requirement for local authorities, in their strategic housing role. This updated the original strategy published in 2012, reflecting more recent changes to government policy, more recent data, and the Greater Cambridge Housing Strategy 2019-2023.</li> <li>◆ The Member / Officer protocols and guidance were revised to reflect the latest political appointments and portfolios following the Annual Meeting of the Council.</li> </ul>
<b>B Openness and stakeholder engagement</b>	<ul style="list-style-type: none"> <li>◆ The Planning and Transport Scrutiny Committee reviewed and adopted the Statement of Community Involvement for Greater Cambridge, prepared jointly with South Cambridgeshire District Council, following consultation. Regulations state that local planning authorities must review this every five years to ensure it is up to date and reflects current legislation and best practice. This sets out how the Greater Cambridge Shared Planning Service will consult on planning policy documents and planning applications, ensuring that the two councils are consistent in their approach to engagement with local communities.</li> <li>◆ The Council undertook various consultations and engagements with stakeholders, including: <ul style="list-style-type: none"> <li>○ Issues and Options Report for the Greater Cambridge Local Plan;</li> <li>○ Sustainable Design and Construction Supplementary Planning Document;</li> <li>○ Minerals and Waste Local Plan; and</li> <li>○ Making Space for People: Vision, Principles &amp; Strategies document.</li> </ul> </li> </ul>

<sup>17</sup> <https://www.cambridge.gov.uk/local-code-of-governance>

# Annual Governance Statement

Principle	Review of effectiveness
<b>C Defining outcomes – economic, social, environmental</b>	<ul style="list-style-type: none"> <li>◆ The Council has started delivering a new <a href="https://www.cambridge.gov.uk/corporate-plan">Corporate Plan 2019-2022</a><sup>18</sup>, which defines our outcomes and sets out strategic level objectives. Performance, achievements, and further actions linked to the Corporate Plan are included in the Corporate Plan Annual Report. The 2019/20 annual report will be presented later in the year.</li> <li>◆ The Equalities Panel received a presentation on how the City Council has been working on Domestic Abuse Housing Alliance accreditation since May 2018 and holds a monthly steering group. The Council was first assessed for accreditation in May 2019 and reassessed in September 2019.</li> <li>◆ The Council declared its recognition of the global biodiversity emergency and the local impact this could have on communities and businesses. It pledged to work towards future measurable biodiversity net gain for Cambridge, and to develop plans for further action, in the second year of Motion and beyond, to secure further biodiversity net gain.</li> <li>◆ The Environmental and Community Scrutiny Committee endorsed the Electric Vehicle and Electric Vehicle Charging Strategy noting opportunities for the Council including car parks, government, public and commercial funding opportunities, and partnership opportunities with other councils.</li> <li>◆ The Council received updates on significant developments, such as the current status of the programme to build new council homes funded through the Combined Authority.</li> </ul>

<sup>18</sup> <https://www.cambridge.gov.uk/corporate-plan>

# Annual Governance Statement

Principle	Review of effectiveness
<b>D Determine interventions to achieve outcomes</b>	<ul style="list-style-type: none"> <li>◆ The Civic Affairs Committee reviewed the <a href="#">annual report of complaints, comments and compliments</a><sup>19</sup>, and approved revisions to the Complaints Procedure to improve the efficiency and effectiveness of the overall process. Committee terms of reference were updated so that the Annual Complaints Report can be brought to the same committee for scrutiny (Strategy &amp; Resources Scrutiny Committee) as the Council's Annual Performance Report and financial reports, giving a fully rounded view of the Council's performance in each year to Councillors and the public.</li> <li>◆ The Equalities Panel considered how the Council had delivered the Single Equality Scheme, which sets out how the organisation would challenge discrimination and promote equal opportunities in all aspects of its work over a 3-year period. This included highlights from the past year, including leading the development of a Cambridgeshire-wide policy on how funding for Disabled Facilities Grants is awarded, meeting our pledge to help resettle 100 refugees, and developing a new Sickness Absence Management Policy for Council staff.</li> <li>◆ The Housing Scrutiny Committee endorsed a budget to aid the delivery of the "PODS" programme gifted from the Hills Partnership, which will provide homes for single homeless people.</li> <li>◆ A Local Area Action Plan was prepared jointly by Cambridge City Council and South Cambridgeshire District Council that presents the Councils' preferred approach for managing development, regeneration and investment in North East Cambridge (NEC) over the next 15 years and beyond.</li> <li>◆ In response to the COVID-19 pandemic the Council took swift action to help support the public. We regularly provided updates on our website. We introduced city centre measures such as marshals, and signage, to help people visit, shop, or work safely and conveniently. We also provided support to businesses by providing information and financial assistance through the distribution of business support grants.</li> </ul>

<sup>19</sup> <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CIId=179&MIId=3623&Ver=4>

# Annual Governance Statement

Principle	Review of effectiveness
<b>E Develop capacity and capability of entity</b>	<ul style="list-style-type: none"> <li>Due to COVID-19, starting at the end of 2019/20 financial year, there have been challenges to the capacity of the Council, which have been managed through our Business Continuity arrangements. Examples include elections being postponed, democratic meetings being delayed, and employees not being able to attend the workplace. The Council was already refreshing its ICT portfolio and this has enabled the Council to adapt and respond to the pandemic through digital enabling technology. The Council has also responded to recent enabling <a href="#">legislation</a><sup>20</sup> and is now running meetings online.</li> <li>The Chief Executive announced that they planned to leave the Council in June 2020. Due to the impact of COVID-19, and the impact on the recruitment process, the Chief Executive agreed to extend that date to September 2020 and provide continuity and support to the Council during this period. The Council has now appointed an Interim Chief Executive to provide continuity whilst the recruitment process is concluded.</li> <li>The Planning and Transport Scrutiny Committee noted information regarding the inception of the Local Plan, and agreed the terms of reference for the Greater Cambridge Local Plan joint member advisory group; a non-statutory joint member group intended to ensure a shared policy position that will allow the timely development of the new Greater Cambridge Local Plan, coordinated with transport policy.</li> <li>The Council received updates on the work of the Cambridgeshire and Peterborough Business Board (formerly the Greater Cambridge Greater Peterborough Local Enterprise Partnership), Greater Cambridge Partnership and other growth-related partnerships. This is provided as a part of the Council's commitment, given in its "Principles of Partnership Working", to set out annual reports summarising the work of the key partnerships it is involved with.</li> <li>The Civic Affairs Committee resolved to approve changes to polling districts in Cambridge.</li> </ul>
<b>F Manage risk and performance, internal control, finance</b>	<ul style="list-style-type: none"> <li>The Council presented a Corporate Plan Annual Report which communicated what was achieved under the corporate priorities.</li> <li>Council approved financial reports including revenue and capital outturn reports for the General Fund and Housing Revenue Accounts, which had been prepared using the new Financial Management System.</li> <li>Scrutiny committees received business plans for the shared services, and annual performance reports. This communicated that increased collaborative working between partners is assisting in delivering the benefits set out in the original business plans.</li> <li>The Council maintains a risk management framework which considers both risk and opportunity. We also developed risk registers and news procedures in response to Brexit and COVID-19 to help manage the impact with timely and proportionate mitigation.</li> </ul>

<sup>20</sup> <https://www.legislation.gov.uk/ukxi/2020/392/contents/made> (The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020)

# Annual Governance Statement

Principle	Review of effectiveness
<b>G Transparency, reporting, audit, accountability</b>	<ul style="list-style-type: none"><li>◆ The Council received an unqualified opinion on the Statement of Accounts for 2018/19, after the statutory deadline. Both the Council and the externally appointed auditors worked together to conclude these as promptly as possible, and progress updates were communicated to the Civic Affairs Committee. With continuing pressure to complete accounts nationally to the prescribed timetable, legislation has been set to assist Councils with the completion of their 2019/20 accounts and is recognised in our action plan too.</li><li>◆ The Housing Scrutiny Committee received a report regarding a complaint upheld by the Local Government and Social Care Ombudsman in respect of housing letting. This summarised the complaint, acknowledged the shortcomings in relation to working practices and set out the action taken in response, which included a cross-departmental review meeting and a policy review to improve procedures.</li><li>◆ The Civic Affairs Committee received the <a href="#">annual report on transparency</a><sup>21</sup>, including Data Protection, Freedom of Information and Environmental Information Regulations.</li></ul>

## Action Plan

The governance arrangements continue to be regarded as fit for purpose in accordance with our framework and this is recognised in our conclusion below.

The review process has helped us to identify some opportunities to improve the governance arrangements over the next 12 months. Some of these may feature in previous statements where the work is continuous and ongoing. They consider both historic governance issues that have arisen during the 2019/20 financial year and up to the date the Statement of Accounts are approved, and also look ahead for potential issues for 2020/21 from our risk management process, corporate plans and strategies. These opportunities focus on the following themes:

<sup>21</sup> <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=179&MId=3623&Ver=4>

# Annual Governance Statement

Theme	Actions	Governance lead
<b>Capacity for decision making</b>	<p>We have reprioritised our resources to focus on the critical activities, in response to recent external events, and this has helped us to deliver resources where it was needed most. Consequently, some of our planned activities which contribute to our governance arrangements, such as decision making, service plan reviews, and Member elections were deferred to a later date. We are also working through the Local Resilience Forum with partners to manage the wider community impacts.</p> <p>It is also reasonable to anticipate that additional new legislation and duties will be rapidly established, in response to external factors such as COVID-19 and Brexit.</p> <p>The Council's forward plan of work is regularly reviewed to ensure that our planned activities are prioritised according to need, and this enables us to respond to emerging and unplanned events. We will continue engage with our stakeholders to ensure they are informed of any changes, and any planned activities will be delivered at the earliest opportunity.</p>	Senior Leadership Team
<b>Financial reporting</b>	<p>The 2018/19 Statement of Accounts was audited and approved after the statutory deadline, due to various factors such as resource issues and COVID-19. Challenges in the external audit of the accounts puts pressure on to the finance team, and consequently the assurance that the Committee has available to them. This continuing risk has been recognised nationally across the public sector.</p> <p>Revised legislation has been issued in response, temporarily extending the deadline for councils, and there is now a staggered program of external audits. This will help to manage the process for approval of the 2019/20 Statement of Accounts to the revised timetable.</p>	<p>Strategic Director (Resources)</p> <p>Section 151 Officer and Head of Finance</p> <p>Head of Internal Audit</p>
<b>Workplace capacity</b>	<p>Two events from the past year highlighted an opportunity to review the management of our workspaces, where there are risks which could potentially impact our governance arrangements.</p> <p>Both COVID-19 and protests temporarily restricted our access to the workplace, resulting in delays of public meetings and achievement of outcomes. Temporary enabling legislation has subsequently been issued which enables us to hold committee meetings online.</p> <p>The Council has already taken positive steps to address these risks, and further ongoing review of our workspace arrangements, including physical security, maintaining good health and safety, and leveraging our use of digital and agile working will help us to mitigate these risks.</p>	Senior Leadership Team



# Annual Governance Statement

Theme	Actions	Governance lead
<b>Resources</b>	<p>There is potential for unplanned events, and changes in legislation, to adversely affect our finance and resources over the longer term. The Council maintains a Medium Term Financial Strategy to help evaluate and manage these risks.</p> <p>Unplanned events such as COVID-19 have the potential to drive significant budgetary constraints, with reduced income from commercial activities, fees and charges, plus potential increases to our expenditure and costs. This is in addition to existing uncertainty from known risks such as business rates retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit.</p> <p>The COVID-19 pandemic has caused delays to elections, and this could potentially lead to the Council running four large elections in the future (City Council, County Council, Police and Crime Commissioner, and mayoral). This short term increase in demand could potentially be a resourcing risk which the Council will need to plan for.</p> <p>The Council will continue to prepare for these risks, and respond to any further pressures, by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures. The Council maintains a Corporate Plan and ongoing revisions will recognise these pressures to help manage our financial resilience and stability.</p>	<p>Chief Executive and Returning Officer</p> <p>Senior Leadership Team</p>
<b>Internal controls</b>	<p>The Council has had to quickly adapt to the impact of COVID-19, and teams have implemented new procedures to ensure they can continue to work effectively in different workspace and environments.</p> <p>The Council had already implemented a number of initiatives to support agile working, which has helped with our adaptation.</p> <p>There may still be unidentified risks where internal controls cannot operate as effectively, and there may also be further opportunities for improved ways of working which can be shared amongst the Council.</p> <p>This has been recognised by the Civic Affairs Committee and management, and the Internal Audit Plan will consider changes to the control environment as part of its ongoing assurance work.</p>	Internal audit

# Annual Governance Statement

Theme	Actions	Governance lead
<b>Fraud and error risk</b>	<p>The Council is helping central government to deliver both business and personal support grant schemes in response to the COVID-19 pandemic. New and emerging grant support schemes are potentially a desirable target for fraudsters, diverting resources and support away from those in need.</p> <p>We will work with the Department for Business, Energy and Industrial Strategy to provide assurance that the grant schemes are being delivered effectively and will help provide intelligence of potential organised crime to the relevant professional bodies. We will complete fraud risk assessments, and develop appropriate controls, to manage any increased risk of fraud and error and help ensure support is provided to those in need.</p>	Internal audit

## Conclusion and Opinion

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

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

# Independent Auditor's Report

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

### Opinion

We have audited the financial statements of Cambridge City Council for the year ended 31 March 2020 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
- ◆ Notes 1 to 41 to the main financial statements; and notes 1 to 8 of the Group Financial Statements
- ◆ Housing Revenue Account; Statement of Movement on the Housing Revenue Account and notes 1 to 10 to the Housing Revenue Account;
- ◆ Collection Fund Statement and notes 1 to 7 to the Collection Fund Statement
- ◆ 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 2019/20.

In our opinion the financial statements:

- ◆ give a true and fair view of the financial position of Cambridge City Council as at 31 March 2020 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 2019/20.

### Basis for opinion

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

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

# Independent Auditor's Report

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## **Emphasis of matter – Property, Plant and Equipment and Investment Property valuation**

We draw attention to note 3 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty of the statement of accounts, which describes the valuation uncertainty the Authority is facing as a result of the Covid-19 pandemic in relation to specific property valuations.

Our opinion is not modified in respect of this matter.

## **Conclusions relating to going concern**

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

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

## **Other information**

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Head of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

### **Arrangements to secure economy, efficiency and effectiveness in the use of resources**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, 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 2020.

# Independent Auditor's Report

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## Matters on which we report by exception

We report to you if:

- ◆ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- ◆ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ◆ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ◆ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ◆ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- ◆ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## Responsibility of the Head of Finance

As explained more fully in the Statement of the Responsibilities set out on page xiii, 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 2019/20, and for being satisfied that they give a true and fair view.

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

# Independent Auditor's Report

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## **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 April 2020, 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 2020.

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

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

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

## **Certificate**

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

## **Use of our report**

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

**Suresh Patel (Key Audit Partner)**  
**Ernst & Young LLP (Local Auditor)**  
**Cambridge**

**XX November 2020**



## **FINANCIAL STATEMENTS**

# 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 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 2019/20

(£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
<b>Balance at 1 April 2019</b>	<b>(15,777)</b>	<b>(25,048)</b>	<b>(11,620)</b>	<b>(15,681)</b>	<b>(55,048)</b>	<b>(11,224)</b>	<b>(10,490)</b>	<b>(144,888)</b>	<b>(587,803)</b>	<b>(732,691)</b>
<b>Movement in reserves during 2019/20</b>										
(Surplus) / deficit on the provision of services	18,104	0	(30,460)	0	0	0	0	(12,356)	0	(12,356)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(52,914)	(52,914)
<b>Total comprehensive income and expenditure</b>	<b>18,104</b>	<b>0</b>	<b>(30,460)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,356)</b>	<b>(52,914)</b>	<b>(65,270)</b>
Adjustments between accounting basis and funding basis under regulations (note 5)	(12,493)	0	25,421	0	8,391	1,423	(12,872)	9,870	(9,870)	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>5,611</b>	<b>0</b>	<b>(5,039)</b>	<b>0</b>	<b>8,391</b>	<b>1,423</b>	<b>(12,872)</b>	<b>(2,486)</b>	<b>(62,784)</b>	<b>(65,270)</b>
Transfers to / from earmarked reserves (note 6)	(7,262)	7,262	1,576	(1,576)	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>(1,651)</b>	<b>7,262</b>	<b>(3,463)</b>	<b>(1,576)</b>	<b>8,391</b>	<b>1,423</b>	<b>(12,872)</b>	<b>(2,486)</b>	<b>(62,784)</b>	<b>(65,270)</b>
<b>Balance at 31 March 2020</b>	<b>(17,428)</b>	<b>(17,786)</b>	<b>(15,083)</b>	<b>(17,257)</b>	<b>(46,657)</b>	<b>(9,801)</b>	<b>(23,362)</b>	<b>(147,374)</b>	<b>(650,587)</b>	<b>(797,961)</b>

# Main Financial Statements

## Financial year 2018/19

(£000s)	General Fund balance	Earmarked General Fund reserves	Housing Revenue Account balance	Earmarked HRA reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total usable reserves	Unusable reserves	Total Council reserves
<b>Balance at 1 April 2018</b>	<b>(13,381)</b>	<b>(24,828)</b>	<b>(9,020)</b>	<b>(11,125)</b>	<b>(40,487)</b>	<b>(8,154)</b>	<b>(5,415)</b>	<b>(112,410)</b>	<b>(638,203)</b>	<b>(750,613)</b>
<b>Movement in reserves during 2018/19</b>										
(Surplus) / deficit on the provision of services	7,542	0	(12,091)	0	0	0	0	(4,549)	0	(4,549)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	22,471	22,471
<b>Total comprehensive income and expenditure</b>	<b>7,542</b>	<b>0</b>	<b>(12,091)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,549)</b>	<b>22,471</b>	<b>17,922</b>
Adjustments between accounting basis and funding basis under regulations (note 5)	(10,158)	0	4,935	0	(14,561)	(3,070)	(5,075)	(27,929)	27,929	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>(2,616)</b>	<b>0</b>	<b>(7,156)</b>	<b>0</b>	<b>(14,561)</b>	<b>(3,070)</b>	<b>(5,075)</b>	<b>(32,478)</b>	<b>50,400</b>	<b>17,922</b>
Transfers to / from earmarked reserves (note 6)	220	(220)	4,556	(4,556)	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>(2,396)</b>	<b>(220)</b>	<b>(2,600)</b>	<b>(4,556)</b>	<b>(14,561)</b>	<b>(3,070)</b>	<b>(5,075)</b>	<b>(32,478)</b>	<b>50,400</b>	<b>17,922</b>
<b>Balance at 31 March 2019</b>	<b>(15,777)</b>	<b>(25,048)</b>	<b>(11,620)</b>	<b>(15,681)</b>	<b>(55,048)</b>	<b>(11,224)</b>	<b>(10,490)</b>	<b>(144,888)</b>	<b>(587,803)</b>	<b>(732,691)</b>

# Main Financial Statements

## 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	2019/20			2018/19 (Restated)		
		Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Climate Change, Environment and City Centre		10,795	(3,627)	7,168	12,908	(4,139)	8,769
Communities		17,440	(8,692)	8,748	11,549	(2,766)	8,783
General Fund Housing		6,271	(2,063)	4,208	6,509	(2,098)	4,411
Planning Policy and Open Spaces		11,831	(3,610)	8,221	8,306	(2,159)	6,147
Transport and Community Safety		8,492	(10,304)	(1,812)	6,580	(10,555)	(3,975)
Housing Revenue Account		35,165	(41,538)	(6,373)	40,651	(41,575)	(924)
Finance and Resources	4	37,315	(33,676)	3,639	41,423	(37,805)	3,618
Strategy and External Partnerships		5,609	(363)	5,246	6,260	32	6,292
<b>Cost of services</b>		<b>132,918</b>	<b>(103,873)</b>	<b>29,045</b>	<b>134,186</b>	<b>(101,065)</b>	<b>33,121</b>
Other operating expenditure	7	1,134	(2,772)	(1,638)	1,134	(2,312)	(1,178)
Financing and investment income and expenditure	4/8	14,503	(1,288)	13,215	13,873	(6,708)	7,165
Taxation and non-specific grant income	4/9	0	(52,978)	(52,978)	0	(43,657)	(43,657)
<b>(Surplus) / deficit on the provision of services</b>	<b>1</b>	<b>148,555</b>	<b>(160,911)</b>	<b>(12,356)</b>	<b>149,193</b>	<b>(153,742)</b>	<b>(4,549)</b>
<i>Items that will not be reclassified to the (surplus) / deficit on the provision of services</i>							
(Surplus) / deficit on revaluation of non-current assets and impairment losses charged to revaluation reserve	31			(10,849)			3,160
Remeasurements of the net defined benefit liability	4/34			(42,065)			19,311
<b>Other comprehensive (income) / expenditure</b>				<b>(52,914)</b>			<b>22,471</b>
<b>Total comprehensive (income) / expenditure</b>				<b>(65,270)</b>			<b>17,922</b>

Prior year cost of services figures have been reclassified to reflect changes in the Council's internal reporting structure – there is no change to the total net cost of services figure reported previously.

# Main Financial Statements

## 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 2020	31 March 2019
Property, plant and equipment	14	808,324	781,963
Heritage assets		669	669
Investment property	19	162,722	170,782
Intangible assets		555	336
Long term investments	22	74,499	57,062
Long term debtors	23	3,709	3,745
<b>Long term assets</b>		<b>1,050,478</b>	<b>1,014,557</b>
Short term investments	22	70,990	79,317
Inventories		187	133
Short term debtors	24	27,115	20,574
Cash and cash equivalents	25	11,590	7,661
<b>Current assets</b>		<b>109,882</b>	<b>107,685</b>
Short term borrowing	32	(82)	(82)
Short term creditors	26	(33,079)	(29,137)
Receipts in advance	27	(8,335)	(4,185)
Provisions	28	(4,419)	(4,445)
<b>Current liabilities</b>		<b>(45,915)</b>	<b>(37,849)</b>
Long term borrowing	32	(213,572)	(213,572)
Other long term liabilities	34	(102,825)	(138,035)
Receipts in advance		(87)	(95)
<b>Long term liabilities</b>		<b>(316,484)</b>	<b>(351,702)</b>
<b>Net assets</b>		<b>797,961</b>	<b>732,691</b>
Usable reserves	30	(147,374)	(144,888)
Unusable reserves	31	(650,587)	(587,803)
<b>Total reserves</b>		<b>(797,961)</b>	<b>(732,691)</b>

Caroline Ryba, Head of Finance

XX November 2020

# Main Financial Statements

## Cash Flow Statement

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

(£000s)	Notes	2019/20	2018/19
Net surplus / (deficit) on the provision of services		12,356	4,549
Adjustment to the net surplus / (deficit) on the provision of service for non-cash movements	35	59,266	76,759
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	35	(36,844)	(56,588)
<b>Net cash flows from operating activities</b>		<b>34,778</b>	<b>24,720</b>
Net cash flows from investing activities	36	(33,640)	(28,654)
Net cash flows from financing activities	37	2,791	3,347
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,929</b>	<b>(587)</b>
Cash and cash equivalents at the beginning of the year	25	7,661	8,248
<b>Cash and cash equivalents at the end of the year</b>	25	<b>11,590</b>	<b>7,661</b>

# Notes to the Main Financial Statements

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# Notes to the Main Financial Statements

## 1 Expenditure and Funding Analysis

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

(£000s)	2019/20					2018/19 (Restated)				
	Net amount chargeable to the General Fund and HRA balances	Adjustments for capital purposes	Net change for pensions adjustments	Other differences	Net expenditure in the Comprehensive Income and Expenditure Statement	Net amount chargeable to the General Fund and HRA balances	Adjustments for capital purposes	Net change for pensions adjustments	Other differences	Net expenditure in the Comprehensive Income and Expenditure Statement
Climate Change, Environment and City Centre	5,713	869	586	0	7,168	7,369	880	520	0	8,769
Communities	5,487	2,136	1,125	0	8,748	5,229	2,972	582	0	8,783
General Fund Housing	3,026	635	547	0	4,208	3,159	871	381	0	4,411
Planning Policy and Open Spaces	6,464	983	774	0	8,221	4,594	798	755	0	6,147
Transport and Community Safety	(4,974)	1,935	1,227	0	(1,812)	(5,332)	1,199	158	0	(3,975)
Housing Revenue Account	(11,165)	4,575	217	0	(6,373)	(13,992)	12,576	492	0	(924)
Finance and Resources	1,700	1,339	600	0	3,639	1,954	1,207	457	0	3,618
Strategy and External Partnerships	6,744	46	(1,544)	0	5,246	5,928	1,546	(1,182)	0	6,292
<b>Net cost of services</b>	<b>12,995</b>	<b>12,518</b>	<b>3,532</b>	<b>0</b>	<b>29,045</b>	<b>8,909</b>	<b>22,049</b>	<b>2,163</b>	<b>0</b>	<b>33,121</b>
Other income and expenditure	(12,423)	(30,437)	3,323	(1,864)	(41,401)	(18,681)	(20,851)	2,976	(1,114)	(37,670)
<b>(Surplus) / deficit for the year</b>	<b>572</b>	<b>(17,919)</b>	<b>6,855</b>	<b>(1,864)</b>	<b>(12,356)</b>	<b>(9,772)</b>	<b>1,198</b>	<b>5,139</b>	<b>(1,114)</b>	<b>(4,549)</b>
Plus opening General Fund and HRA balance	(68,126)					(58,354)				
<b>Closing General Fund and HRA balance at 31 March*</b>	<b>(67,554)</b>					<b>(68,126)</b>				

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

## Notes to the Main Financial Statements

Prior year cost of services figures have been reclassified to reflect changes in the Council's internal reporting structure – there is no change to the total net cost of services figure reported previously.

Income and expenditure are analysed subjectively as follows:

(£000s)	2019/20	2018/19
Employee benefit expenses	40,666	36,331
Other service expenses	70,865	69,493
Depreciation, amortisation and impairment	23,377	30,096
Interest payments and investment income expenses	12,513	12,139
Payments to Housing Capital Receipts Pool	1,134	1,134
<b>Total expenditure</b>	<b>148,555</b>	<b>149,193</b>
Government grants, contributions and donations	(74,535)	(69,751)
Fees, charges and other service income	(70,161)	(63,293)
Income from council tax	(8,602)	(8,234)
Income from non-domestic rates	(5,659)	(5,370)
(Gain) or loss on the disposal of non-current assets	(2,772)	(2,312)
Interest and investment income	818	(4,782)
<b>Total income</b>	<b>(160,911)</b>	<b>(153,742)</b>
<b>Surplus on the provision of services</b>	<b>(12,356)</b>	<b>(4,549)</b>

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

(£000s)	2019/20	2018/19
Climate Change, Environment and City Centre	(3,535)	(3,757)
Communities	(7,814)	(2,506)
General Fund Housing	(1,027)	(1,188)
Planning Policy and Open Spaces	(3,480)	(1,828)
Transport and Community Safety	(10,192)	(10,532)
Housing Revenue Account	(41,078)	(41,046)
Finance and Resources	(894)	(506)
Strategy and External Partnerships	(35)	(4)
Financing and investment income	(2,106)	(1,926)
<b>Fees, charges and other service income</b>	<b>(70,161)</b>	<b>(63,293)</b>

In addition to this external income, interest and investment income above includes rental income from the Council's investment property portfolio of £10,542,000 (2018/19: £10,444,000).

## 2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 77 to 95, 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:

## Notes to the Main Financial Statements

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- ◆ 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 2020 is estimated to be £102.8 million (31 March 2019: £138.0 million) and the estimated effects on the liability of changes in individual assumptions are disclosed at note 34.

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

Assets are depreciated over useful lives that are dependent upon 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 £1,106,000 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 2020 following successful rating valuation appeals. The Council's share of this provision is £4.2 million (31 March 2019: £4.0 million) as disclosed at note 28. The provision has been calculated using an estimate of the likely remaining average reduction in rateable values over the life of the 2017 Valuation Office Agency (VOA) ratings list, plus an estimate of the amounts which will be required to settle appeals still outstanding on the 2010 ratings list. The estimates are based upon historical experience, and the Council has employed relevant experts to assist with this process.

## Notes to the Main Financial Statements

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However, it remains possible that appeals may be settled at amounts which differ from these estimates.

### **Fair Value Measurements**

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

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

The most significant assets that the Council has measured at fair value in the Balance Sheet where level 1 inputs are not available are investment properties. Significant changes in any of the unobservable inputs used in these valuations would result in significantly higher or lower fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities can be found at notes 15, 20 and 32.

### **COVID-19**

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of COVID-19. Subsequently, on 23 March 2020, the Prime Minister announced that to limit the spread of the disease he would be requiring people to stay at home as much as possible. Since then, there have been various levels of business and movement restrictions in place at different times.

The pandemic, and the response to it, have significantly impacted market activity across many sectors, and have presented the Council's property valuers with an unprecedented set of circumstances on which to base their valuation judgements. In particular, evidence from transactions taking place before the pandemic now has less weight to inform opinions of value.

As such, both of the Council's external property valuers have reported their valuations on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to these valuations than would normally be the case. This includes the valuation of investment properties, council dwellings, and other land and buildings.

## **4 Comprehensive Income and Expenditure Statement – Material Items of Income and Expenditure**

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

There is a total credit for remeasurements of the Council's net defined benefit pension liability of £42.1 million (2018/19: net charge of £19.3 million) which is recognised in other comprehensive income. In addition, financing and investment expenditure includes a net interest cost on the pension liability of £3.3 million (2018/19: £3.0 million). Further details are set out at note 34.

## Notes to the Main Financial Statements

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The Council's share of non-domestic rates income totalling £42.3 million (2018/19: £41.2 million) and the tariff of £36.7 million (2018/19: £35.8 million) payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

Housing benefit subsidy grants received from government totalling £31.5 million (2018/19: £36.1 million), together with associated expenditure on housing benefits of £32.2 million (2018/19: £36.6 million), are included within Finance and Resources income and expenditure.

Capital grants and contributions income includes £26.9 million (2018/19: £13.6 million) of grant funding to support new homes under the Cambridge and Peterborough Devolution Deal. Of this, £9.9 million was received from the Cambridge and Peterborough Combined Authority, with the remaining £17.0 million coming directly from central government (in 2018/19 the full amount was paid by the Combined Authority).

Financing and investment expenditure includes interest payable on Public Works Loan Board (PWLB) borrowings of £7.5 million (2018/19: £7.5 million).

Non-ringfenced government grants income includes New Homes Bonus from central government of £5.5 million (2018/19: £5.6 million).

Financing and investment income includes losses on the value of central shopping centres held within investment properties of £5.1 million (2018/19: £10.9 million).

### **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.

# Notes to the Main Financial Statements

## Financial year 2019/20

(£000s)	Usable reserves					Unusable reserves
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets	(6,663)	0	0	(10,678)	0	17,341
Net revaluation (losses) / gains on property, plant and equipment	148	(6,092)	0	0	0	5,944
Movements in the market value of investment properties	(13,371)	242	0	0	0	13,129
Amortisation of intangible assets	(61)	0	0	(35)	0	96
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,737)	0	0	0	0	1,737
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal	(37)	(3,660)	0	0	0	3,697
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Minimum Revenue Provision	9,758	0	0	0	0	(9,758)
Private sector housing loan repayments – original loan less than £10,000	(23)	0	0	0	0	23
Capital expenditure charged against General Fund and HRA balances	2,243	1,672	0	0	0	(3,915)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,989	27,386	0	0	(30,375)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	17,503	(17,503)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	63	6,339	(6,402)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(154)	154	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	14,298	0	0	(14,298)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,134)	0	1,134	0	0	0
Transfer to Capital Receipts Reserve on receipt of loan payment	0	0	(15)	0	0	15
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(778)	0	0	778



## Notes to the Main Financial Statements

(£000s)	Usable reserves					Unusable reserves
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sales proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain / loss on disposal	11	0	0	0	0	(11)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	12,136	0	(12,136)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	(17)	0	0	0	0	17
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	(12,355)	(1,878)	0	0	0	14,233
Employer's pension contributions and direct payments to pensioners payable in the year	5,717	1,661	0	0	0	(7,378)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	1,881	0	0	0	0	(1,881)
<b>Adjustments primarily involving the Housing Revenue Account:</b>						
Amounts transferred from the General Fund to the Housing Revenue Account under statutory regulation	95	(95)	0	0	0	0
<b>Total adjustments</b>	<b>(12,493)</b>	<b>25,421</b>	<b>8,391</b>	<b>1,423</b>	<b>(12,872)</b>	<b>(9,870)</b>

Minimum Revenue Provision includes £9,545,000 of voluntary contributions in year (2018/19: nil).

# Notes to the Main Financial Statements

## Financial year 2018/19

(£000s)	Usable reserves					Unusable reserves
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets	(6,187)	0	0	(10,666)	0	16,853
Net revaluation (losses) / gains on property, plant and equipment	(754)	(12,377)	0	0	0	13,131
Movements in the market value of investment properties	(7,856)	155	0	0	0	7,701
Amortisation of intangible assets	(107)	0	0	(5)	0	112
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(2,430)	0	0	0	0	2,430
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal	(28,036)	(4,620)	0	0	0	32,656
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Minimum Revenue Provision	455	0	0	0	0	(455)
Private sector housing loan repayments – original loan less than £10,000	(10)	0	0	0	0	10
Capital expenditure charged against General Fund and HRA balances	4,587	727	0	0	0	(5,314)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,761	13,921	0	0	(21,682)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	16,607	(16,607)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	27,032	7,874	(34,906)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(199)	199	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	27,136	0	0	(27,136)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,134)	0	1,134	0	0	0
Transfer to Capital Receipts Reserve on receipt of loan payment	0	0	(15)	0	0	15
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(8,109)	0	0	8,109

## Notes to the Main Financial Statements

(£000s)	Usable reserves					Unusable reserves
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,601	0	(7,601)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	12	0	0	0	0	(12)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	(10,268)	(2,061)	0	0	0	12,329
Employer's pension contributions and direct payments to pensioners payable in the year	5,621	1,569	0	0	0	(7,190)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,322	0	0	0	0	(1,322)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1	0	0	0	0	(1)
<b>Adjustments primarily involving the Housing Revenue Account:</b>						
Amounts transferred from the General Fund to the Housing Revenue Account under statutory regulation	54	(54)	0	0	0	0
<b>Adjustments primarily involving the Available for Sale Reserve:</b>						
Transfer of Available for Sale reserve balance back to the General Fund upon IFRS 9 implementation	(221)	0	0	0	0	221
<b>Total adjustments</b>	<b>(10,158)</b>	<b>4,935</b>	<b>(14,561)</b>	<b>(3,070)</b>	<b>(5,075)</b>	<b>27,929</b>

## Notes to the Main Financial Statements

### 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 2019/20.

(£000s)	Balance at 1 April 2018	Transfer In	Transfer Out	Balance at 31 March 2019	Transfer In	Transfer Out	Balance at 31 March 2020
<b>General Fund:</b>							
Asset repair and renewal reserves	(2,963)	(1,550)	2,895	(1,618)	(1,215)	733	(2,100)
Insurance Fund	(1,127)	(34)	0	(1,161)	(77)	0	(1,238)
Technology Investment Fund	(126)	(1)	0	(127)	0	0	(127)
Development Plan Reserve	(314)	(415)	(210)	(939)	(192)	152	(979)
Revenue contributions to capital	(3)	0	0	(3)	0	0	(3)
Climate Change Fund	(344)	(251)	227	(368)	(100)	339	(129)
Fixed Term Priority Projects	(151)	0	151	0	0	0	0
Sharing Prosperity	(621)	(200)	561	(260)	0	175	(85)
Invest for Income Fund	(8,000)	0	0	(8,000)	0	8,000	0
Greater Cambridge Partnership Fund	(5,034)	(2,238)	1,646	(5,626)	(1,652)	1,950	(5,328)
Office accommodation strategy	(2,759)	0	1,859	(900)	0	166	(734)
Contribution to A14 Fund	(718)	(782)	0	(1,500)	0	0	(1,500)
Other	(2,668)	(3,319)	1,441	(4,546)	(2,745)	1,728	(5,563)
<b>Total</b>	<b>(24,828)</b>	<b>(8,790)</b>	<b>8,570</b>	<b>(25,048)</b>	<b>(5,981)</b>	<b>13,243</b>	<b>(17,786)</b>
<b>Housing Revenue Account:</b>							
Asset Repair and Renewal Reserve	(2,420)	(286)	210	(2,496)	(287)	278	(2,505)
Earmarked for debt redemption / reinvestment	(8,672)	(4,472)	0	(13,144)	(1,561)	0	(14,705)
Other	(33)	(8)	0	(41)	(6)	0	(47)
<b>Total</b>	<b>(11,125)</b>	<b>(4,766)</b>	<b>210</b>	<b>(15,681)</b>	<b>(1,854)</b>	<b>278</b>	<b>(17,257)</b>

### 7 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2019/20		2018/19	
	Income	Expenditure	Income	Expenditure
Gains on the disposal of non-current assets	(2,772)	0	(2,312)	0
Payments to the government housing capital receipts pool	0	1,134	0	1,134
	<b>(2,772)</b>	<b>1,134</b>	<b>(2,312)</b>	<b>1,134</b>

## Notes to the Main Financial Statements

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

(£000s)	2019/20		2018/19	
	Income	Expenditure	Income	Expenditure
Interest receivable and similar income	(2,478)	0	(1,854)	0
(Gains) and losses on trading accounts	(2,106)	1,990	(1,926)	1,734
(Gains) and losses on financial instruments held at fair value through profit and loss	709	0	(185)	0
Income and expenditure in relation to investment properties and changes in their fair value	2,587	1,696	(2,743)	1,669
Interest payable and similar charges	0	7,494	0	7,494
Pensions interest expense	0	3,323	0	2,976
	<b>(1,288)</b>	<b>14,503</b>	<b>(6,708)</b>	<b>13,873</b>

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

(£000s)	2019/20	2018/19
Council tax income	(8,602)	(8,234)
Net council share of business rates income	(5,659)	(5,370)
Non-ringfenced government grants	(8,342)	(8,371)
Capital grants and contributions	(30,375)	(21,682)
	<b>(52,978)</b>	<b>(43,657)</b>

The business rates income retained by the Council under the business rates retention scheme of £5,659,000 (2018/19: £5,370,000) comprises the Council's share of income of £42,323,000 (2018/19: £41,213,000) less a tariff payment due to central government of £36,664,000 (2018/19: £35,843,000).

### 10 Members' Allowances

The total of allowances and expenses paid to members during the financial year was £351,000 (2018/19: £338,000). Details of allowance payments to individual members are published annually on the Council's website at <https://www.cambridge.gov.uk/councillors-duties-conduct-and-allowances>.

### 11 Related Party Transactions

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

# Notes to the Main Financial Statements

## Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (for example housing benefits). Details of government grants received are set out at note 29.

## Other Public Bodies

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

(£000s)	2019/20	2018/19
Income recognised in year	(10,003)	(13,567)
Debtor balance at 31 March	41	2,686

## Members and Officers

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

For 2019/20, several members declared they had interests with local voluntary bodies and other organisations. In the majority of cases, transactions between the Council and these organisations were not material to either party, and the member or officer was not in a position to control or direct them. Details of these interests are recorded in the Council's Register of Interests which is open to public inspection, and published on the Council's website at <https://www.cambridge.gov.uk/councillors-duties-conduct-and-allowances>.

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

Related Party	Member / Officer	Income from Related Party (£000s)	Expenditure with Related Party (£000s)	Debtor balance at 31 March 2020 (£000s)	Creditor balance at 31 March 2020 (£000s)
Cambridge BID Ltd	Cllr Rosy Moore – Director of Cambridge BID Ltd	123	6	19	0
Wintercomfort for the Homeless	Cllr Rod Cantrill – Trustee of Wintercomfort for the Homeless	5	110	1	1
Cambridge Sustainable Food CIC	Cllr Katie Thornburrow – Director of Cambridge Sustainable Food CIC	0	28	0	0
Sheridan House (Cambridge) Ltd	Cllr Rod Cantrill – Director of Sheridan House (Cambridge) Ltd	12	0	0	0

## Notes to the Main Financial Statements

In addition to the above, the Council collects levy payments from local businesses on behalf of Cambridge BID Ltd. During the year, the Council collected levy payments (net of refunds) totalling £809,000 (2018/19: £972,000) and paid £909,000 over to Cambridge BID (2018/19: £879,000). At 31 March 2020, the outstanding creditor balance due to Cambridge BID in respect of these levies was £14,000 (31 March 2019: £114,000).

### **Cambridge Investment Partnership LLP / CIP operating companies**

The Council has a 50% stake in a limited liability partnership with Hill Investment Partnerships Limited. The partnership is primarily engaged in house building and redeveloping land in the Cambridge area. This includes delivering new affordable and social dwellings for council housing financed from the Housing Revenue Account. The partnership consists of four separate companies.

Cambridge Investment Partnership LLP, incorporated 30 November 2018, provides management services to CIP operating companies as needed. It also manages the main site and various design, build and sale contracts on behalf of the Council's social housing capital programme. The company reported a loss of £603,000 in 2019/20 (2018/19: nil). Note that up until 31 March 2019, the functions of this company were undertaken by CIP (Mill Road Development) LLP.

Operating companies are established for individual sites as they commence and details of those in existence during 2019/20 are as follows:

- ◆ CIP (Mill Road Development) LLP, incorporated on 22 December 2016. The company reported a profit of £2,000 in 2019/20 (2018/19: £500,000 loss). Note that the 2018/19 performance includes the management functions now undertaken by Cambridge Investment Partnership LLP from 1 April 2019.
- ◆ CIP (Cromwell Road) LLP, incorporated on 10 January 2019. The financial statements for the year ended 31 March 2020 had no transactions going through the Statement of Comprehensive Income (2018/19: nil).
- ◆ CIP Orchard Park L2 LLP was incorporated on 19 December 2019. The financial statements for the year ended 31 March 2020 had no transactions going through the Statement of Comprehensive Income.

The Council recognised income of £335,000 from the partnership during 2019/20 in respect of management recharges (2018/19: £199,000), and £471,000 of section 106 contributions in respect of housing developments (2018/19: nil). At 31 March 2020, short term debtors were £322,000 (2018/19: £439,000).

The cost of work carried out by the partnership in 2019/20 was £24,211,000 (2018/19: £8,571,000). This included expenditure of £7,849,000 at Mill Road (2018/19: £4,561,000), £4,315,000 at Cromwell Road (2018/19: nil), £5,269,000 at Anstey Way (2018/19: £3,562,000), and £6,778,000 at various other developments (2018/19: £448,000). At 31 March 2020, short term creditors were £812,000 (2018/19: £116,000).

The Council disposed of the former Mill Road depot site to CIP (Mill Road Development) LLP in December 2017. The deferred sales proceeds due from CIP are reflected in a loan note (currently expected to be repaid in 2021) as included at note 22. The outstanding balance at 31 March 2020 was £5,041,000 (31 March 2019: £4,850,000). Notional interest on the loan is reflected in interest income – this was £191,000 in 2019/20 (£184,000 in 2018/19).

In addition, the Council has a further outstanding long term investment balance of £5,019,000 at 31 March 2020 (31 March 2019: nil) with CIP (Mill Road Development) LLP, in



## Notes to the Main Financial Statements

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respect of loan financing provided (including accrued interest). This loan financing has generated £119,000 of interest income during 2019/20 (2018/19: nil).

The Council has an outstanding long term investment balance of £28,651,000 (including accrued interest) with CIP (Cromwell Road) LLP at 31 March 2020 (31 March 2019: £27,000,000), representing a loan note in consideration of development land transferred to the LLP in March 2019, together with additional loan financing provided since this date. This has generated £151,000 of interest income during 2019/20 (2018/19: nil).

The Council has an outstanding long term investment balance of £1,129,000 with CIP Orchard Park L2 LLP at 31 March 2020. This represents an interest-free loan provided for the purposes of land purchase. The other partner in the joint venture has advanced the same amount under equal terms.

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

### Property Management Companies

During 2019/20, two new companies were incorporated to take on property management responsibility in respect of recent housing developments. These are as follows:-

- ◆ Iron Works (Cambridge) Management Company Ltd, incorporated on 21 October 2019. The Council is deemed to have control over this company.
- ◆ Timberworks (Cambridge) Management Company Ltd, incorporated on 6 December 2019. This is a joint venture with Hill Investment Partnerships Ltd in which the Council has a 50% stake.

Neither company had begun trading as at 31 March 2020, therefore there are no transactions for consolidation into the Group Financial Statements.

### Cambridge City Housing Company Limited

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

The company made a profit of £207,000 for 2019/20 (2018/19: £189,000). Revaluation gains of £183,000 (2018/19: £149,000) are included in these results.

As detailed at note 22 the Council made a loan to CCHC of £7,500,000 in 2016/17. Interest of £152,000 (2018/19: £152,000) on the loan is included in financing and investment income.

The Council recognised income from management fees, repairs and service charges totalling £51,000 in 2019/20 (2018/19: £50,000). Total debtors at 31 March 2020 were £8,000 (31 March 2019: £16,000).

The company has been consolidated into the Group Financial Statements.

### 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. On 1 October 2018, following a period of financial difficulties, the Council took direct control of Cambridge Live and its trading

## Notes to the Main Financial Statements

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subsidiary (Cambridge Live Trading Limited). Their results have been consolidated into the Group Financial Statements from that date.

On 1 April 2019, all of the assets, liabilities and operations of Cambridge Live and Cambridge Live Trading Limited transferred to the Council for consideration of £1. The cost to the Council in terms of net liabilities assumed was £1,351,000, which included a net pension liability of £839,000 to be funded from the Council's unusable reserves. The two entities themselves are in the process of being wound up.

### **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 three Trustees.

The Council incurred and recharged staff management costs of £163,000 to the Trust in relation to 2019/20 (2018/19: £131,000). There is a debtor balance of £44,000 at 31 March 2020 (31 March 2019: £39,000).

The Council recognised expenditure of £5,000 with the Trust in 2019/20 (2018/19: £4,000), in respect of facilities hire.

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

### **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. As at 31 March 2020 there were 11 directors, of which one was appointed by the City Council. The Council is therefore not considered to have significant influence over the company. Upon incorporation, start-up costs of £90,000 were paid by the Council on behalf of the company and a long term loan established. The budget report for 2019/20 approved in February 2019 included a change so that this loan is no longer due, and it was provided against in full during 2018/19.

The Council has paid grant and other subsidies of £71,000 to VCB in 2019/20 (2018/19: £85,000), and has recharged VCB for its share of costs, including utilities and rent for offices at the Guildhall which is determined on a commercial basis. Income from VCB in 2019/20 totalled £67,000 (2018/19: £68,000). At 31 March 2020, short term debtors were £27,000 (2018/19: £13,000) and short term creditors were £6,000 (2018/19: £12,000).

It is intended that Visit Cambridge and Beyond will be wound up during 2020/21.

### **Shared services with other local authorities**

The Council shares a number of services with Huntingdonshire District Council and South Cambridgeshire District Council. These include ICT, Building Control, and Legal, which commenced on 1 October 2015 under the banner of 3C Shared Services. In addition, the Council shares a waste service with South Cambridgeshire District Council and commenced a shared planning service with that council on 1 April 2018. There is a lead authority for each service and the Council accounts for shared service transactions in its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

# Notes to the Main Financial Statements

## 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:

	2019/20	2018/19
£50,000 to £54,999	17	9
£55,000 to £59,999	3	4
£65,000 to £69,999	3	4
£70,000 to £74,999	4	8
£75,000 to £79,999	6	0
£90,000 to £94,999	0	2
£95,000 to £99,999	2	0
£125,000 to £129,999	0	1
£130,000 to £134,999	1	0
<b>Total</b>	<b>36</b>	<b>28</b>

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 2019/20

(£) Position / Name		Salary	Election Payments	Pension Contribution	Total
Chief Executive (A Jackson)		130,013	4,533	23,411	157,957
Strategic Director (S Hemingway)		99,476	175	17,309	116,960
Strategic Director (F Bryant)		99,476	0	17,309	116,785
Head of Corporate Strategy (A Limb)		76,062	995	13,235	90,292
Head of Finance (Section 151 Officer) (C Ryba)		75,732	117	13,235	89,084
Head of Transformation (E Rospigliosi)	1	56,024	0	9,748	65,772

Notes:

1. Started 6 July 2019.
2. The Council shares a Director of Economic Development and Planning employed by SCDC. The Council's share of costs for 2019/20 remained unchanged at £67,756.

# Notes to the Main Financial Statements

## Financial year 2018/19

(£) Position / Name	Note	Salary	Election Payments	Pension Contribution	Total
Chief Executive (A Jackson)		127,464	2,790	22,608	152,862
Strategic Director (S Hemingway)		90,642	0	15,772	106,414
Strategic Director (F Bryant)		90,642	0	15,772	106,414
Head of Corporate Strategy (A Limb)		74,571	0	12,975	87,546
Head of Finance (Section 151 Officer) (C Ryba)	1	74,571	0	12,975	87,546

### Notes:

1. The Head of Finance was shared with South Cambridgeshire District Council (SCDC), with a charge of £38,670 in 2018/19.
2. The Council shares a Director of Economic Development and Planning employed by SCDC. The Council's share of costs for 2018/19 remained unchanged at £67,756.

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		Total number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£0 - £20,000	2	2	2	2	22	14
£20,001 - £40,000	0	3	0	3	0	107
<b>Total</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>22</b>	<b>121</b>

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.

## 13 External Audit Costs

(£000s)	2019/20	2018/19
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	40	40
Additional fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	89	38
Fees payable to Ernst and Young LLP for the certification of grant claims and returns	34	21
	<b>163</b>	<b>99</b>

## Notes to the Main Financial Statements

Due to the timing of work on the certification of grant claims, the fee of £34,000 recognised in 2019/20 covers certification work in respect of both 2019/20 (£13,000) and 2018/19 (£21,000), whilst the fee of £21,000 recognised in 2018/19 covered certification work in respect of 2017/18.

### 14 Property, Plant and Equipment

#### Financial year 2019/20

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Assets under construction	Total property, plant and equipment
<b>Cost or valuation</b>							
<b>At 1 April 2019</b>	<b>612,585</b>	<b>148,160</b>	<b>26,023</b>	<b>5,798</b>	<b>1,333</b>	<b>13,138</b>	<b>807,037</b>
Additions	10,401	751	1,231	1,223	6	28,730	42,342
Revaluation increases / (decreases) recognised in the revaluation reserve	(10,022)	7,032	0	0	0	0	(2,990)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(6,161)	217	0	0	0	0	(5,944)
De-recognition – disposals	(2,662)	0	(752)	0	0	0	(3,414)
De-recognition – other	(815)	(271)	(264)	0	0	1	(1,349)
Assets reclassified (to) / from investment properties	0	160	0	0	0	184	344
Assets reclassified (to) / from intangible assets	0	0	0	0	0	(192)	(192)
Assets reclassified (to) / from other categories of property, plant and equipment	5,223	(245)	424	163	0	(5,565)	0
<b>At 31 March 2020</b>	<b>608,549</b>	<b>155,804</b>	<b>26,662</b>	<b>7,184</b>	<b>1,339</b>	<b>36,296</b>	<b>835,834</b>
<b>Accumulated depreciation and impairment</b>							
<b>At 1 April 2019</b>	<b>0</b>	<b>(9,358)</b>	<b>(14,771)</b>	<b>(945)</b>	<b>0</b>	<b>0</b>	<b>(25,074)</b>
Depreciation charge	(10,416)	(4,674)	(2,094)	(157)	0	0	(17,341)
Depreciation written out to the revaluation reserve	10,352	3,487	0	0	0	0	13,839
De-recognition – disposals	45	0	721	0	0	0	766
De-recognition – other	19	24	257	0	0	0	300
<b>At 31 March 2020</b>	<b>0</b>	<b>(10,521)</b>	<b>(15,887)</b>	<b>(1,102)</b>	<b>0</b>	<b>0</b>	<b>(27,510)</b>
<b>Net book value</b>							
<b>At 31 March 2020</b>	<b>608,549</b>	<b>145,283</b>	<b>10,775</b>	<b>6,082</b>	<b>1,339</b>	<b>36,296</b>	<b>808,324</b>
<b>At 31 March 2019</b>	<b>612,585</b>	<b>138,802</b>	<b>11,252</b>	<b>4,853</b>	<b>1,333</b>	<b>13,138</b>	<b>781,963</b>

# Notes to the Main Financial Statements

## Financial year 2018/19

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

## 15 Property – Revaluation

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 – Global Standards (effective January 2020) together with the UK National Supplement and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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

Phillip Smith BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)  
 Anna Groom MA MRICS (Bidwells LLP)  
 Martin Swinley FRICS (Bidwells LLP)  
 Adam Mossop MSc MRICS (Bidwells LLP)

## Notes to the Main Financial Statements

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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 86 (investment properties) and page 89 (operational properties).

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

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

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

In reaching the final valuation figures Bidwells has departed from the RICS Valuation – Professional Standards in that they are not instructed to inspect the properties or read all the leases. Bidwells have undertaken external inspections of a sample of the properties valued this year and 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 2019 and has acted as valuers for Cambridge City Council since March 1994. They also confirm that in their last financial year the fees received from Cambridge City Council represented less than 5% of their turnover and they do not expect any material increase in these fees in 2020. Bidwells has a policy of rotating personnel undertaking this valuation so that no single member of staff values the portfolio for more than seven consecutive years. This rotation is undertaken in accordance with Bidwells Management System under ISO 9001:2000.

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

### COVID-19

Due to the impact of COVID-19, both of the Council's external valuers have reported their valuations as at 31 March 2020 on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. This means that less certainty, and a higher degree of caution, should be attached to these valuations than would normally be the case. More detail is given at note 3.



## Notes to the Main Financial Statements

### Valuation Dates

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 2020	608,549	138,063	746,612
31 March 2019	0	3,069	3,069
31 March 2018	0	1,089	1,089
31 March 2017	0	1,473	1,473
31 March 2016	0	1,589	1,589
<b>Total valuation</b>	<b>608,549</b>	<b>145,283</b>	<b>753,832</b>

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

Vehicles, plant and equipment, as short life operational assets, are held at depreciated historical cost 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 42 years and houses 43 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.

## Notes to the Main Financial Statements

(£000s)	2019/20	2018/19
<b>Opening Capital Financing Requirement</b>	<b>275,386</b>	<b>240,594</b>
<b>Capital expenditure</b>		
Property, plant and equipment	42,342	54,023
Investment properties	5,413	1,232
Intangible assets	121	130
<b>Capital expenditure charged to the Comprehensive Income and Expenditure Statement</b>		
Revenue Expenditure Funded from Capital and de-minimis capital expenditure	1,737	2,430
<b>Loans advanced</b>		
Cambridge Investment Partnership	7,990	31,850
Local investment bond	0	2,200
Private sector housing improvement loans	52	40
<b>Sources of finance</b>		
Capital receipts	(14,298)	(27,136)
Government grants and other contributions	(17,503)	(16,607)
Minimum Revenue Provision	(9,758)	(455)
Revenue and reserves	(16,051)	(12,915)
<b>Closing Capital Financing Requirement</b>	<b>275,431</b>	<b>275,386</b>

Minimum Revenue Provision includes £9,545,000 of voluntary contributions in year (2018/19: nil).

### 18 Capital Commitments

(£000s)	31 March 2020	31 March 2019
<b>Property, Plant and Equipment</b>		
Park Street car park redevelopment	91,400	0
HRA new build properties	34,565	22,564
Housing capital programme	5,197	1,807
Vehicle asset replacement programme	489	149
Building works at the Guildhall to reduce carbon emissions	127	0
Silver Street public toilet refurbishment	92	540
Electric vehicle charge points	75	0
Footbridge across Hobson's Brook at Accordia Development	0	50
<b>Revenue Expenditure Funded from Capital Under Statute</b>		
Development land at Clay Farm	417	378
Community Development Grants Programme	0	153
	<b>132,362</b>	<b>25,641</b>

# Notes to the Main Financial Statements

## 19 Investment Properties

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

(£000s)	2019/20	2018/19
Rental income from investment property	(10,542)	(10,444)
Direct operating expenses arising from investment property	451	460
<b>Net gain</b>	<b>(10,091)</b>	<b>(9,984)</b>

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)	2019/20	2018/19
<b>Fair value at start of the year</b>	<b>170,782</b>	<b>175,281</b>
<i>Additions:</i>		
Subsequent expenditure	136	2
Acquisitions	5,277	1,230
Unrealised gains / (losses) recognised in the financing and investment income line of the surplus / deficit on the provision of services from fair value adjustments	(13,129)	(7,701)
Disposals	0	(430)
<i>Transfers:</i>		
(To) / from property, plant and equipment	(344)	2,400
<b>Fair value at the end of the year</b>	<b>162,722</b>	<b>170,782</b>

## 20 Fair Value Measurement of Investment Properties

Investment properties are held at fair value and are classified as level 3 within the value hierarchy as defined within IFRS 13. Level 3 inputs used in valuing the properties are those which are unobservable and observable inputs where significant adjustments have been applied to determine specific property valuations, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The portfolio is valued in line with the accounting policy detailed on page 86.

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 at 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.

## Notes to the Main Financial Statements

### COVID-19

Due to the impact of COVID-19, the valuers have reported their valuations as at 31 March 2020 on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. This means that less certainty, and a higher degree of caution, should be attached to these valuations than would normally be the case. More detail is given at note 3.

### Valuation Techniques

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 2020 (£'000)	Predominant valuation technique	Key unobservable inputs	Range
Central Cambridge shopping centres	21,975	Investment	NIY Yield	5.75% - 6.25%
Other retail	32,180	Investment	Market Rent (psf) Market Rent (psf ZA) EY Yield	£7.00 - £55.20 £18.00 - £180.00 5.52% - 14.90%
Offices	13,000	Investment	Market Rent (psf) EY Yield	£13.00 - £28.00 5.77% - 10.04%
Industrial	26,690	Investment	Market Rent (psf) EY Yield	£5.50 - £17.60 5.25% - 8.50%
Land	37,386	Investment / Comparable	Market Rent (per acre) NIY Yield EY Yield £/acre	£200 - £57,500 2.90% - 6.67% 4.90% - 10.00% £3,000 - £1,100,000
Leisure	1,000	Investment	EY Yield	7.49% - 10.00%
Other	30,491	Investment	Yield	3.50% - 13.19%
<b>Total</b>	<b>162,722</b>			

The predominant valuation techniques are:

- ◆ Investment method – this involves estimating the rental value of each lettable part of the property, making an assessment of void periods and associated costs and then capitalising at an appropriate yield. Hope value is included where there is future reversionary potential such as conversion to residential use.
- ◆ Comparable method – the opinion of value was primarily derived using comparable recent market transactions on an arm's length basis with appropriate adjustments.

### Sensitivity Analysis

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

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

## Notes to the Main Financial Statements

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 Council leases three car parks under long term peppercorn leases. The carrying value of these car parks included in property, plant and equipment was £34,270,000 as at 31 March 2020 (£36,235,000 at 31 March 2019).

##### Operating Leases

The Council leases in a number of operational properties under operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

(£000s)	31 March 2020	31 March 2019
Not later than one year	110	50
Later than one year and not later than five years	45	50
	<b>155</b>	<b>100</b>

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

(£000s)	2019/20	2018/19
Minimum lease payments	110	75

#### Council as Lessor

##### Operating Leases

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

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

(£000s)	31 March 2020	31 March 2019
Not later than one year	5,958	6,113
Later than one year and not later than five years	18,293	18,798
Later than five years	101,886	105,151
	<b>126,137</b>	<b>130,062</b>

## Notes to the Main Financial Statements

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2019/20, £2,147,000 of contingent rents were receivable by the Council (2018/19: £2,300,000).

### 22 Short Term and Long Term Investments

(£000s)	2019/20		2018/19	
	Long term	Short term	Long term	Short term
Loans to joint ventures	39,840	0	31,850	0
Loans to subsidiaries	7,500	0	7,500	0
Other investments	27,159	70,990	17,712	79,317
	<b>74,499</b>	<b>70,990</b>	<b>57,062</b>	<b>79,317</b>

### 23 Long Term Debtors

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

(£000s)	31 March 2020	31 March 2019
Deferred property sale proceeds	2,705	2,735
Private sector housing improvement loans	818	821
Lease premiums	178	181
Mortgage repossessions loans	7	7
Mortgages	1	1
	<b>3,709</b>	<b>3,745</b>

### 24 Short Term Debtors

(£000s)	31 March 2020	31 March 2019
Trade receivables	3,506	8,199
Prepayments	406	3,222
Other receivables	23,203	9,153
	<b>27,115</b>	<b>20,574</b>

### 25 Cash and Cash Equivalents

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

(£000s)	31 March 2020	31 March 2019
Overnight money market funds	11,000	6,000
Bank deposit accounts	1,446	2,177
Bank current accounts	(872)	(526)
Cash held by the Council	16	10
	<b>11,590</b>	<b>7,661</b>

# Notes to the Main Financial Statements

## 26 Short Term Creditors

(£000s)	31 March 2020	31 March 2019
Trade creditors	(382)	(34)
Other creditors	(32,697)	(29,103)
	<b>(33,079)</b>	<b>(29,137)</b>

## 27 Receipts in Advance

(£000s)	31 March 2020	31 March 2019
Housing tenants and leaseholders	(1,024)	(657)
Cambridge City Council share of non-domestic rates receipts in advance	(566)	(858)
Cambridge City Council share of council tax receipts in advance	(334)	(360)
Capital grants receipts in advance	(11)	(616)
Other	(6,400)	(1,694)
	<b>(8,335)</b>	<b>(4,185)</b>

## 28 Provisions

### Insurance Provision

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

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

### Business Rates Appeals Provision

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

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2020 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.



## Notes to the Main Financial Statements

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
<b>Balance at 1 April 2019</b>	<b>(387)</b>	<b>(4,049)</b>	<b>(9)</b>	<b>(4,445)</b>
Additional provisions made in 2019/20	(240)	(1,174)	0	(1,414)
Amounts used in 2019/20	315	1,023	0	1,338
Unused amounts reversed in 2019/20	102	0	0	102
<b>Balance as at 31 March 2020</b>	<b>(210)</b>	<b>(4,200)</b>	<b>(9)</b>	<b>(4,419)</b>

### 29 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

(£000s)	2019/20	2018/19
<b>Credited to taxation and non-specific grant income</b>		
Revenue Support Grant	0	(571)
New Homes Bonus	(5,504)	(5,596)
New burdens and transitional grants	(33)	(76)
Syrian Resettlement Grant	(416)	(534)
Small Business Rate Relief Grant	(1,038)	(1,002)
Other business rate relief grants	(1,138)	(466)
Welfare reform grants	(105)	(109)
Local Authority EU Exit Grant	(35)	(17)
COVID-19 support grant	(73)	0
Capital grants and contributions	(30,375)	(21,682)
	<b>(38,717)</b>	<b>(30,053)</b>
<b>Credited to services</b>		
Discretionary Housing Payments	(202)	(224)
Rent Allowance and Rent Rebates Administration Subsidy	(311)	(346)
Rent Allowance Subsidy	(16,360)	(18,768)
Rent Rebates Subsidy	(14,608)	(16,963)
Non HRA Rent Rebates Subsidy	(556)	(386)
Other housing benefit grants	(123)	(126)
Flexible Homelessness Support	(457)	(477)
Preventing Homelessness	(135)	(317)
Other grants	(806)	(346)
	<b>(33,558)</b>	<b>(37,953)</b>

From time to time, the Council receives developer contributions that cannot yet be recognised as income as they have conditions attached to them that may require the monies to be returned to the developer. The outstanding balance held in short term receipts in advance at 31 March 2020 was £11,000 (31 March 2019: £616,000).

## Notes to the Main Financial Statements

During the year, £624,000 of contributions were repaid to contributors (2018/19: nil). This addresses an issue in relation to historic section 106 contributions (mostly received 15 or more years ago) which could no longer be used for their specified purposes and needed to be returned.

### 30 Usable Reserves

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

### 31 Unusable Reserves

(£000s)	31 March 2020	31 March 2019
Deferred Capital Receipts Reserve	(3,126)	(3,893)
Revaluation Reserve	(170,271)	(163,875)
Capital Adjustment Account	(577,071)	(556,990)
Financial Instruments Adjustment Account	92	75
Pensions Reserve	102,825	138,035
Collection Fund Adjustment Account	(3,490)	(1,609)
Accumulated Absences Account	454	454
<b>Total unusable reserves</b>	<b>(650,587)</b>	<b>(587,803)</b>

### 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)	2019/20	2018/19
<b>Balance at 1 April</b>	<b>(3,893)</b>	<b>(12,002)</b>
Deferred sale proceeds on disposal of non-current assets	(11)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	778	8,109
<b>Balance at 31 March</b>	<b>(3,126)</b>	<b>(3,893)</b>

### 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.

## Notes to the Main Financial Statements

(£000s)	2019/20	2018/19
<b>Balance at 1 April</b>	<b>(163,875)</b>	<b>(171,845)</b>
Net (gains) / losses on revaluations during the year	(10,849)	3,160
<b>Amounts written off to the Capital Adjustment Account</b>		
Difference between fair value depreciation and historical cost depreciation	3,845	3,925
Accumulated gains on assets sold or scrapped	608	885
<b>Balance at 31 March</b>	<b>(170,271)</b>	<b>(163,875)</b>

### Capital Adjustment Account

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

The account contains accumulated gains and losses on investment properties.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

(£000s)	2019/20	2018/19
<b>Balance at 1 April</b>	<b>(556,990)</b>	<b>(567,975)</b>
Charges for depreciation and impairment of non-current assets	17,341	16,858
Amortisation of intangible assets	96	107
Revaluation losses/(gains) on property, plant and equipment	5,944	13,131
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	13,129	7,701
Revenue Expenditure Funded from Capital Under Statute and de minimis capital spend	1,737	2,430
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	3,697	32,656
Repayment of private sector housing loans	38	25
Adjusting amounts written out of the Revaluation Reserve	(4,453)	(4,810)
Use of the Capital Receipts Reserve to finance new capital expenditure	(14,298)	(27,136)
Use of the Major Repairs Reserve to finance new capital expenditure	(12,136)	(7,601)
Application of grants and contributions to capital financing	(17,503)	(16,607)
Minimum revenue provision	(213)	(455)
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(13,460)	(5,314)
<b>Balance at 31 March</b>	<b>(577,071)</b>	<b>(556,990)</b>

## Notes to the Main Financial Statements

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is 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 at note 34.

(£000s)	2019/20	2018/19
<b>Balance at 1 April</b>	<b>138,035</b>	<b>113,585</b>
Remeasurements of the net defined benefit liability	(42,065)	19,311
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	14,233	12,329
Employer's pension contributions and direct payments to pensioners payable in the year	(7,378)	(7,190)
<b>Balance at 31 March</b>	<b>102,825</b>	<b>138,035</b>

### 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 taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

(£000s)	2019/20	2018/19
<b>Balance at 1 April</b>	<b>(1,609)</b>	<b>(287)</b>
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	32	(7)
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	(1,913)	(1,315)
<b>Balance at 31 March</b>	<b>(3,490)</b>	<b>(1,609)</b>

# Notes to the Main Financial Statements

## 32 Financial Instruments

### Categories of Financial Instrument

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

(£000s)	31 March 2020		31 March 2019	
	Long term	Short term	Long term	Short term
<b>Financial assets</b>				
<b>Investments</b>				
Fair value through profit and loss	14,909	14,869	15,462	9,993
Amortised cost	59,590	56,121	41,600	69,324
<b>Debtors</b>				
Fair value through profit and loss	3,523	0	3,526	0
Amortised cost	8	5,511	38	14,165
<b>Cash and cash equivalents</b>				
Amortised cost	0	11,590	0	7,661
<b>Total</b>	<b>78,030</b>	<b>88,091</b>	<b>60,626</b>	<b>101,143</b>
<b>Financial liabilities (amortised cost)</b>				
Borrowing	(213,572)	(82)	(213,572)	(82)
Creditors	0	(14,957)	0	(11,402)
<b>Total</b>	<b>(213,572)</b>	<b>(15,039)</b>	<b>(213,572)</b>	<b>(11,484)</b>

### Private Sector Housing Improvement Loans

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

(£000s)	2019/20	2018/19
<b>Balance sheet carrying value as at 1 April</b>	<b>821</b>	<b>794</b>
Nominal value of new loans recognised in the year	52	40
Interest – increase in discounted amount	16	19
Loans repaid	(38)	(25)
Fair value adjustment	(33)	(7)
<b>Balance sheet carrying value as at 31 March</b>	<b>818</b>	<b>821</b>
<b>Loan payments outstanding (nominal value) at 31 March</b>	<b>910</b>	<b>895</b>

## Notes to the Main Financial Statements

### Income, Expense, Gains and Losses

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

(£000s)	2019/20	2018/19
	Surplus or deficit on the provision of services	Surplus or deficit on the provision of services
<b>Net (gains) / losses</b>		
Financial assets classified as:		
Fair value through profit and loss	709	(185)
Amortised cost	544	381
<b>Interest income</b>		
Financial assets classified as:		
Fair value through profit and loss	(811)	(744)
Amortised cost	(1,667)	(1,110)
<b>Interest expense</b>		
Financial liabilities classified as:		
Amortised cost	7,494	7,494
<b>Net (surplus) / deficit for the year</b>	<b>6,269</b>	<b>5,836</b>

### Financial assets measured at fair value in the balance sheet

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2020 (£000s)	31 March 2019 (£000s)
Units in CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	14,909	15,462
Enhanced cash funds	Level 1	Unadjusted quoted prices in active markets for identical units	14,869	9,993
Contingent proceeds on disposal of assets	Level 3	Present value of likely estimated sale proceeds discounted at appropriate rate where material	2,705	2,705
Private sector housing loans	Level 3	Present value of likely future cash flows discounted at appropriate rate where material	818	821
			<b>33,301</b>	<b>28,981</b>

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

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

## Notes to the Main Financial Statements

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

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

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

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

- ◆ An average interest rate at 31 March 2019 of 2.59% (2018/19: 2.09%) has been used to estimate the fair value of long term loans from the Public Works Loans Board (PWLB).
- ◆ No early repayment is recognised.
- ◆ Where an instrument will mature in the next 12 months, the carrying amount is generally assumed to approximate to fair value.
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- ◆ The fair value of capital contributions received in advance is taken to be the amount received.

The fair values are assessed as follows:

(£000s)	31 March 2020		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets at amortised cost</b>				
Current debtors	5,511	5,511	14,165	14,165
Long term debtors	8	8	38	38
Current investments	56,121	56,121	69,324	69,324
Long term investments	59,590	59,807	41,600	41,600
Cash and cash equivalents	11,590	11,590	7,661	7,661
<b>Financial liabilities</b>				
Current liabilities	(14,957)	(14,957)	(11,402)	(11,402)
Short term borrowing	(82)	(82)	(82)	(82)
Long term borrowing	(213,572)	(251,791)	(213,572)	(264,497)

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



## Notes to the Main Financial Statements

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The fair value of the loans from the PWLB have been assessed using the new loans rate. IFRS 13 and the Code require that in the absence of a quoted price for a liability, fair value should be measured from the perspective of a market participant. For PWLB loans, measurement is therefore required from the perspective of the PWLB, assessing the price that they would be able to secure if they were to sell the loans in an orderly market transaction. However, it is sometimes not possible to find observable active markets. The Council's treasury advisors have therefore advised using the PWLB new loan rate as a suitable proxy for a transfer value. This reflects the reality that the Council has a continuing ability to borrow at PWLB rates.

However, if the Council were to seek to take advantage of the lower prevailing market rates by repaying current PWLB loans, the PWLB would charge a premium and the Council would have to pay an early redemption rate. The exit price for PWLB loans as at 31 March 2020 was estimated at £366,201,000 (31 March 2019: £317,064,000).

### 33 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.

#### 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 Treasury Management limits in place as at 31 March 2020 can be found in the Annual Treasury Management Strategy Statement Report 2020/21 to 2023/24, which is available on the Council's website<sup>22</sup>.

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<sup>22</sup><https://democracy.cambridge.gov.uk/documents/s49103/Annual%20Treasury%20Management%20Strategy%20Statement%202020-21%20to%202023-24%20Final%20200117%2013022020%20Council.pdf>

## Notes to the Main Financial Statements

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

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

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

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to its investments at 31 March 2020 and that any residual risk cannot be quantified.

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

(£000s)	Maturity Band					Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	Over 3 years	
<b>31 March 2020</b>						
<b>United Kingdom</b>						
Banks	21,000	15,000	6,000	0	0	42,000
Local authorities	5,000	3,000	5,000	10,000	0	23,000
Other institutions	0	0	0	0	2,200	2,200
<b>Total</b>	<b>26,000</b>	<b>18,000</b>	<b>11,000</b>	<b>10,000</b>	<b>2,200</b>	<b>67,200</b>

(£000s)	Maturity Band					Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	Over 3 years	
<b>31 March 2019</b>						
<b>United Kingdom</b>						
Banks	12,000	15,000	9,000	0	0	36,000
Local authorities	8,000	5,000	20,000	0	0	33,000
Other institutions	0	0	0	0	2,200	2,200
<b>Total</b>	<b>20,000</b>	<b>20,000</b>	<b>29,000</b>	<b>0</b>	<b>2,200</b>	<b>71,200</b>

In addition to the above, the Council has investments in financial assets held at fair value through profit and loss, as detailed at note 32, which do not have a defined maturity date.

## Notes to the Main Financial Statements

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 2020		31 March 2019	
	Gross debt	Impairment allowance	Gross debt	Impairment allowance
Long term debtors	3,621	90	3,779	215
Current and former tenants	1,973	1,510	1,688	1,406
Other debtors	5,897	849	14,528	645
	<b>11,491</b>	<b>2,449</b>	<b>19,995</b>	<b>2,266</b>

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 2020	31 March 2019
<b>Balance at 1 April</b>	<b>2,051</b>	<b>1,916</b>
Increase in allowance for impairment	544	381
Balances written off during the year	(236)	(246)
<b>Balance at 31 March</b>	<b>2,359</b>	<b>2,051</b>

At 31 March 2020, of the total debtor and deferred debtor balances of £11.5 million (31 March 2019: £20.0 million), the past due amount was £3.6 million (31 March 2019: £2.7 million) and can be analysed by age as follows:

(£000s)	31 March 2020	31 March 2019
<b>Customer Debts</b>		
Less than three months	1,040	726
Three to six months	356	202
Six months to one year	396	226
More than one year	1,761	1,520
<b>Balance at 31 March</b>	<b>3,553</b>	<b>2,674</b>

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

(£000s)	31 March 2020	31 March 2019
<b>Impairment allowance by age of debt</b>		
Less than three months	215	299
Three to six months	190	114
Six months to one year	259	144
More than one year	1,695	1,494
<b>Balance at 31 March</b>	<b>2,359</b>	<b>2,051</b>

# Notes to the Main Financial Statements

## 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 profile of future contractual payments (of both principal and interest) is set out below. Figures as at 31 March 2019 have been restated to include future interest payments.

(£000s)	31 March 2020	31 March 2019 (Restated)
Less than 1 year	7,494	7,494
Between 1 and 5 years	29,977	29,977
Between 5 and 10 years	37,471	37,471
Between 10 and 15 years	37,471	37,471
Between 15 and 20 years	68,398	58,459
Between 20 and 25 years	81,568	83,437
Between 25 and 30 years	72,179	74,061
Between 30 and 35 years	62,766	64,646
Between 35 and 40 years	22,480	34,282
	<b>419,804</b>	<b>427,298</b>

Accrued interest due on the PWLB loans at 31 March 2020 was £82,000 (2018/19: £82,000).

## 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. Most investments are also of less than one year in duration and so changes to fair value will be minimal. The Council does, however, utilise bank deposit accounts and on-call money market funds for very short term cash deposits and the interest rate on these accounts is variable.

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services. The

## Notes to the Main Financial Statements

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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 2019/20, 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 £372,000 (2018/19: £263,000).

### Price risk

The Council does not generally invest in equity shares in individual companies. However, it has investments in Cambridge City Housing Company and Cambridge Investment Partnership which are held at cost as detailed at note 32.

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

A loss of £553,000 in respect of the Local Authorities' Property Fund has been recognised in the surplus or deficit on the provision of services in 2019/20 (2018/19: £237,000 gain). This reflects general movements in the value of the fund over 2019/20. A further movement in the bid price of 5% (positive or negative) would have resulted in a £745,000 gain or loss being recognised in 2019/20 (2018/19: £773,000).

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

The Council also holds a number of investments in enhanced cash funds, shown in current investments, which are 'fair value through profit and loss' assets and a loss of £123,000 (2018/19: £4,000) has been recognised in 2019/20 in respect of these assets.

### Foreign exchange risk

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

## 34 Defined Benefit Pension Schemes

### Participation in pension schemes

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

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

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme in 2019/20 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

## Notes to the Main Financial Statements

the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### Transactions relating to post-employment benefits

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

(£000s)	Local Government Pension Scheme	
	2019/20	2018/19
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of services:</b>		
Current service cost	10,555	8,474
Past service cost (including curtailments)	(484)	707
Effect of business combinations	839	172
<b>Financing and investment income and expenditure:</b>		
Net interest cost	3,323	2,976
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>14,233</b>	<b>12,329</b>
<b>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	23,199	(8,560)
Changes in financial assumptions	(29,305)	27,912
Changes in demographic assumptions	(8,074)	0
Other experience changes	(27,885)	(41)
<b>Total post-employment benefit (credited) / charged to other comprehensive income and expenditure</b>	<b>(42,065)</b>	<b>19,311</b>
<b>Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement</b>	<b>(27,832)</b>	<b>31,640</b>
<b>Movement in Reserves Statement</b>		
Charges made to the surplus or deficit on the provision of services	14,233	12,329
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(6,855)	(5,139)
<b>Actual charges to the General Fund and Housing Revenue Account – Employers' contributions payable to the scheme</b>	<b>7,378</b>	<b>7,190</b>

## Notes to the Main Financial Statements

### Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2019/20	2018/19
Present value of the defined benefit obligation	(318,219)	(367,285)
Fair value of plan assets	215,394	229,250
<b>Net liability arising from defined benefit obligation</b>	<b>(102,825)</b>	<b>(138,035)</b>

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 £102.8 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

### Assets and liabilities in relation to post-employment benefits

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

(£000s)	2019/20	2018/19
<b>Opening balance at 1 April</b>	<b>(367,285)</b>	<b>(327,231)</b>
Current service cost	(10,555)	(8,474)
Past service cost	484	(707)
Effect of business combinations	(4,496)	(1,743)
Interest cost	(8,902)	(8,913)
Contributions by scheme participants	(1,636)	(1,511)
Benefits paid	8,629	8,888
Estimated unfunded benefits paid	278	277
Remeasurements – changes in financial assumptions	29,305	(27,912)
Remeasurements – changes in demographic assumptions	8,074	0
Remeasurements – other experience	27,885	41
<b>Closing balance at 31 March</b>	<b>(318,219)</b>	<b>(367,285)</b>

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

(£000s)	2019/20	2018/19
<b>Opening balance at 1 April</b>	<b>229,250</b>	<b>213,646</b>
Effects of business combination	3,657	1,571
Interest income on plan assets	5,579	5,937
Contributions by scheme participants	1,636	1,511
Employer contributions	7,100	6,913
Contributions in respect of unfunded benefits	278	277
Benefits paid	(8,629)	(8,888)
Unfunded benefits paid	(278)	(277)
Remeasurements – return on assets excluding amount in net interest expense	(23,199)	8,560
<b>Closing balance at 31 March</b>	<b>215,394</b>	<b>229,250</b>



## Notes to the Main Financial Statements

### Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets			
	2019/20		2018/19	
	Quoted prices in active markets	Quoted prices not in active markets	Quoted prices in active markets	Quoted prices not in active markets
<b>Equity securities:</b>				
Consumer	0	0	6,926	0
Manufacturing	0	0	4,126	0
Energy and utilities	0	0	4,814	0
Financial institutions	0	0	8,618	0
Health and care	0	0	1,387	0
Information technology	0	0	1,220	0
<b>Debt securities:</b>				
UK Government	0	11,151	0	5,687
<b>Private equity</b>	0	17,667	0	17,357
<b>Real estate:</b>				
UK property	0	16,117	0	0
Overseas property	0	3	0	0
<b>Investment funds and unit trusts:</b>				
Equities	0	130,557	0	128,424
Bonds	0	14,608	0	21,304
Infrastructure	0	19,421	0	9,542
Other	0	0	0	17,006
<b>Derivatives</b>	0	2,620	0	0
<b>Cash and cash equivalents</b>	3,250	0	2,839	0
<b>Closing balance at 31 March</b>	<b>3,250</b>	<b>212,144</b>	<b>29,930</b>	<b>199,320</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed for the County Council Fund by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2019.

## Notes to the Main Financial Statements

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2019/20	2018/19
<b>Mortality Assumptions:</b>		
<i>Longevity at 65 for current pensioners</i>		
Men	22.0	22.4
Women	24.0	24.4
<i>Longevity at 65 for future pensioners</i>		
Men	22.7	24.0
Women	25.5	26.3
Rate of increase in salaries	2.40%	2.80%
Rate of increase in pensions	1.90%	2.50%
Rate for discounting scheme liabilities	2.30%	2.40%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.00%	25.00%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	64.00%	63.00%

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

Change in assumption at 31 March 2020	Approximate % increase to employer liability	Approximate monetary amount (£000s)
0.5% decrease in the real discount rate	10%	30,352
0.5% increase in the salary increase rate	1%	2,647
0.5% increase in the pensions increase rate	9%	27,471

### 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 2023.

The Council paid a deficit repair contribution of £8,444,000 during 2017/18 to cover the 3 years until 31 March 2020. The final £2,913,000 of this contribution was recognised in 2019/20 (2018/19: £3,030,000). A further deficit repair contribution of £8,905,000 was paid in April 2020, and will be recognised over the next 3 years.

## Notes to the Main Financial Statements

The duration of the employer funded liabilities is 21 years. This is the weighted average time until the payment of expected future discounted cash flows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. This duration is as it stood at the previous formal valuation as at 31 March 2019.

### 35 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2019/20	2018/19
Interest received	1,114	811
Interest paid	(7,494)	(7,494)
Dividends received	672	664

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

(£000s)	2019/20	2018/19
Depreciation	17,341	16,853
Impairment and downward valuation	19,073	20,832
Amortisation	92	112
Increase in impairment for bad debts	303	489
Increase in creditors	5,213	2,979
Decrease / (increase) in debtors	6,537	(1,909)
(Increase) / decrease in inventories	(54)	18
Movement in pension liability	6,855	5,139
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,697	32,656
Other non-cash items charged / (credited) to the net surplus or deficit on the provision of services	209	(410)
	<b>59,266</b>	<b>76,759</b>

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

(£000s)	2019/20	2018/19
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,469)	(34,906)
Any other items for which the cash effects are investing or financing cash flows	(30,375)	(21,682)
	<b>(36,844)</b>	<b>(56,588)</b>

## Notes to the Main Financial Statements

### 36 Cash Flow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2019/20	2018/19
Purchase of property, plant and equipment, investment property and intangible assets	(47,191)	(56,055)
Purchase of short term and long term investments	(101,116)	(93,200)
Other payments for investing activities	(53)	(40)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,236	11,393
Proceeds from short term and long term investments	92,000	95,000
Other receipts from investing activities	15,484	14,248
	<b>(33,640)</b>	<b>(28,654)</b>

### 37 Cash Flow Statement – Financing Activities

(£000s)	2019/20	2018/19
Other receipts from financing activities	2,791	3,347
<b>Net cash flows from financing activities</b>	<b>2,791</b>	<b>3,347</b>

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.

### 38 Reconciliation of Liabilities Arising from Financing Activities

(£000s)	1 April 2019	Financing cash flows	31 March 2020
Long term borrowings	(213,572)	0	(213,572)
Short term borrowings	(82)	0	(82)
Short term creditors: non-domestic rates and council tax collected as an agent for others	(10,597)	(2,791)	(13,388)
<b>Total liabilities from financing activities</b>	<b>(224,251)</b>	<b>(2,791)</b>	<b>(227,042)</b>

### 39 Impact of the Adoption of New Accounting Standards on the Financial Statements – Effective for the 2020/21 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 2020/21 Code. The standards adopted by the 2020/21 Code include:

- ◆ Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- ◆ Annual Improvements to IFRS Standards 2015-2017 Cycle;
- ◆ Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement;
- ◆ Amendments to References to the Conceptual Framework in IFRS Standards; and

## Notes to the Main Financial Statements

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- ◆ Amendment to line item specifications for the net assets statement as detailed in the 2020/21 Code.

These standards are adopted with effect from 1 April 2020, but are not anticipated to have a material impact on the Statement of Accounts.

### **40 Date the Statement of Accounts was Authorised for Issue**

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

### **41 Events After the Reporting Period**

As noted above the accounts were authorised for issue on XX November 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this 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	2019/20	2018/19
<b>Income</b>			
Dwelling rents	2	(36,765)	(36,984)
Non-dwelling rents		(822)	(757)
Charges for services and facilities		(3,491)	(3,304)
Contributions towards expenditure		(442)	(504)
Reimbursement of costs		(18)	(26)
<b>Total</b>		<b>(41,538)</b>	<b>(41,575)</b>
<b>Expenditure</b>			
Repairs and maintenance		10,155	9,769
Supervision and management		7,392	7,160
Rents, rates, taxes and other charges		178	207
Depreciation, impairment and reversal of revaluation losses on non-current assets		16,801	23,048
Increased provision for bad debts		336	173
<b>Total</b>		<b>34,862</b>	<b>40,357</b>
<b>Net expenditure</b>		<b>(6,676)</b>	<b>(1,218)</b>
HRA services share of Corporate and Democratic Core		303	294
<b>Net expenditure on HRA services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(6,373)</b>	<b>(924)</b>
<b>HRA share of other income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
(Surplus) or deficit on sale of HRA non-current assets		(2,679)	(3,254)
Interest payable on PWLB loans		7,494	7,494
Interest and investment income		(1,516)	(1,486)
Capital grants and contributions receivable		(27,386)	(13,921)
<b>(Surplus) / deficit for the year on HRA services</b>		<b>(30,460)</b>	<b>(12,091)</b>

## Statement of Movement on the Housing Revenue Account

(£000s)	Note	2019/20	2018/19
<b>(Surplus) / deficit for the year on the HRA Income and Expenditure Account</b>		<b>(30,460)</b>	<b>(12,091)</b>
<b>Adjustments between accounting basis and funding basis under statute</b>			
Net revaluation (losses) / gains and impairment losses on property, plant and equipment		(6,092)	(12,377)
Movement in investment property value		242	155
Gain on sale of non-current assets		2,679	3,254
Capital expenditure funded by the Housing Revenue Account	7	1,672	727
Capital contributions unapplied credited to the Comprehensive Income and Expenditure Statement		27,386	13,921
Other capital adjustments		(154)	(199)
Net charges made for retirement benefits made in accordance with IAS19	10	(1,878)	(2,061)
Employers contributions payable to the Cambridgeshire Pension Fund	10	1,661	1,569
Sums to be debited / (credited) to the HRA that are not income or expenditure in accordance with GAAP		(95)	(54)
<b>Net (increase) / decrease before transfers to / from earmarked reserves</b>		<b>(5,039)</b>	<b>(7,156)</b>
Transfers to earmarked reserves		1,576	4,556
<b>Total movement on Housing Revenue Account for the year</b>		<b>(3,463)</b>	<b>(2,600)</b>
<b>Housing Revenue Account balance brought forward</b>		<b>(11,620)</b>	<b>(9,020)</b>
<b>Housing Revenue Account balance carried forward</b>		<b>(15,083)</b>	<b>(11,620)</b>



## Notes to the Housing Revenue Account

### 1 Introduction

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

### 2 Gross Rent

This represents income receivable in respect of all dwellings within the HRA, gross of rent rebates and net of rents not payable when properties are empty. As at 31 March 2020, 1.6% of properties were vacant (31 March 2019: 1.6%).

The average rent payable in 2019/20 was £100.29 per week (2018/19: £100.99 per week).

### 3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2020	31 March 2019	2019/20	2018/19
Dwellings	608,549	612,585	10,416	10,434
Other land and buildings	9,917	9,667	166	139
Infrastructure	3,441	2,381	68	68
Vehicles, plant and equipment	147	182	28	25
Investment properties	5,724	5,667	0	0
Intangible assets	224	134	31	5
Assets under construction	35,599	12,263	0	0
	<b>663,601</b>	<b>642,879</b>	<b>10,709</b>	<b>10,671</b>

The value of council dwellings at 1 April 2019, based on vacant possession, was £1,612 million (1 April 2018: £1,653 million). Vacant possession value is the estimate of the total sum that would be received if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

Net revaluation losses on property, plant and equipment of £6.1 million have been charged to the Comprehensive Income and Expenditure Statement in 2019/20 (2018/19: £12.4 million). 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).

## Additional Financial Statements and Information

Under HRA self-financing rules the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7,494,000 on this debt being charged to the HRA in 2019/20 (2018/19: £7,494,000).

### 5 Housing Stock

The Council was responsible for an average stock of 7,150 dwellings during the year. The stock as at 31 March 2020 was as follows:

	31 March 2020	31 March 2019
Houses & bungalows	3,530	3,533
Flats	3,064	3,041
Sheltered housing units	512	510
Shared ownership properties (whole property equivalent)	48	62
<b>Total</b>	<b>7,154</b>	<b>7,146</b>
The change in stock during the year can be summarised as follows:		
<b>Stock at 1 April</b>	<b>7,146</b>	<b>7,170</b>
Right to buy sales	(29)	(27)
Open market disposals	0	(2)
Net shared ownership changes	(14)	(5)
Acquisitions	3	2
New properties	42	9
Other changes	12	(1)
Demolitions	(6)	0
<b>Stock as at 31 March</b>	<b>7,154</b>	<b>7,146</b>

### 6 Rent Arrears

Rent arrears at 31 March 2020 were £1,973,000 (31 March 2019: £1,688,000) and as a proportion of gross rent income have increased from 4.19% in 2018/19 to 4.89% in 2019/20.

At 31 March 2020 a net provision for bad debt of £1,510,000 was held on the Balance Sheet (31 March 2019: £1,406,000).

## 7 Financing of Capital Expenditure

(£000s)	2019/20	2018/19
<b>Capital expenditure</b>		
Dwellings	10,367	6,194
Other land and buildings	194	11,451
Plant, vehicles and equipment	16	61
Infrastructure assets	1,128	0
Assets under construction	25,915	13,066
Intangible assets	121	130
	<b>37,741</b>	<b>30,902</b>
<b>Financed by:</b>		
Capital receipts	8,086	8,654
Major repairs reserve	12,136	7,602
Revenue financing of capital	1,672	727
Capital contributions and grants	15,847	13,919
	<b>37,741</b>	<b>30,902</b>

## 8 Capital receipts within the HRA

(£000s)	2019/20	2018/19
Dwellings	6,242	7,851
Land	97	23
Total receipts	<b>6,339</b>	<b>7,874</b>
Payable to central government	(1,134)	(1,134)
Usable capital receipts	<b>5,205</b>	<b>6,740</b>

## 9 Major Repairs Reserve (MRR)

(£000s)	2019/20	2018/19
<b>Balance at 1 April</b>	<b>(11,224)</b>	<b>(8,154)</b>
Transfer to MRR during the year	(10,713)	(10,671)
HRA capital expenditure on housing charged to MRR	12,136	7,601
<b>Balance at 31 March</b>	<b>(9,801)</b>	<b>(11,224)</b>

## 10 Contributions from the Pensions Reserve

The Housing Revenue Account is charged with a share of current service costs in line with IAS 19. The difference between this cost and employer contributions payable is then appropriated from the pensions reserve so that the overall amount to be met from rents reflects employer contributions payable by the Council.

## Additional Financial Statements and Information

### Collection Fund Statement

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

(£000s)	Note	2019/20		2018/19	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council tax	2	(79,879)		(74,395)	
Non-domestic rates income			(115,512)		(109,978)
Contributions towards previous year's estimated Collection Fund deficit:					
Central government		0	(465)	0	(533)
Cambridge City Council		0	(372)	(16)	(426)
Cambridgeshire County Council		0	(84)	(101)	(96)
Cambridgeshire Police and Crime Commissioner		0	0	(16)	0
Cambridgeshire Fire Authority		0	(9)	(5)	(10)
Transitional protection receipts		0	0	0	(308)
<b>Total income</b>		<b>(79,879)</b>	<b>(116,442)</b>	<b>(74,533)</b>	<b>(111,351)</b>
<b>Council tax expenditure</b>					
Cambridge City Council	4	8,634	0	8,243	0
Cambridgeshire County Council	4	57,361	0	53,728	0
Cambridgeshire Police and Crime Commissioner	4	9,733	0	8,543	0
Cambridgeshire Fire Authority	4	3,092	0	2,956	0
Impairment of council tax debts	5	1,350	0	1,004	0
<b>Non-domestic rates expenditure</b>					
Cambridge City Council		0	44,029	0	42,810
Cambridgeshire County Council		0	9,907	0	9,632
Cambridgeshire Fire Authority		0	1,101	0	1,070
Non-domestic rates due to central government		0	55,037	0	53,512
Transitional protection payments		0	331	0	0
Impairment of non-domestic rates debts	6	0	641	0	941
Provision for non-domestic rates appeals	6	0	377	0	(137)
Allowable costs of non-domestic rates collection		0	237	0	234
<b>Total expenditure</b>		<b>80,170</b>	<b>111,660</b>	<b>74,474</b>	<b>108,062</b>
<b>(Surplus) / deficit for the year</b>		<b>291</b>	<b>(4,782)</b>	<b>(59)</b>	<b>(3,289)</b>
<b>(Surplus) / deficit as at 1 April</b>		<b>(40)</b>	<b>(4,012)</b>	<b>19</b>	<b>(723)</b>
<b>(Surplus) / deficit as at 31 March</b>	7	<b>251</b>	<b>(8,794)</b>	<b>(40)</b>	<b>(4,012)</b>

## Notes to the Collection Fund Statement

### 1 General

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

### 2 Council Tax

Under the arrangements for council tax, each domestic property within the Council's area is assigned to one of eight 'valuation bands' (A to H) based on the estimated price it would have achieved if it had been sold at 1 April 1991. The council tax is set for Band D properties and the tax for other bands is calculated as a proportion of the Band D tax. The Band D council tax for the year ended 31 March 2020 was set at £1,803.01, made up as follows:

(£)	2019/20	2018/19
Cambridge City Council	197.50	191.75
Cambridgeshire County Council	1,312.11	1,249.83
Cambridgeshire Police and Crime Commissioner	222.66	198.72
Cambridgeshire Fire Authority	70.74	68.76
<b>Total</b>	<b>1,803.01</b>	<b>1,709.06</b>

The following table shows the calculation of the Council Tax Base for 2019/20 (used to determine the tax needed at Band D to finance spending).

Valuation band	Total number of dwellings on the valuation list	Total equivalent dwellings (after discounts, exemptions etc.)	Ratio to Band D	Band D equivalents
A	4,208	3,285	6/9	2,190
B	10,396	8,614	7/9	6,700
C	19,758	17,429	8/9	15,493
D	9,993	8,694	9/9	8,694
E	5,729	4,960	11/9	6,062
F	3,654	3,218	13/9	4,648
G	3,193	2,690	15/9	4,483
H	482	299	18/9	598
<b>Total</b>	<b>57,413</b>	<b>49,189</b>		<b>48,868</b>
<b>Tax Base adjustments</b>				<b>(5,183)</b>
<b>Tax base for Council Tax Setting</b>				<b>43,685</b>

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.

## Additional Financial Statements and Information

The income of £79.9 million in 2019/20 was receivable from the following sources:

(£000s)	2019/20	2018/19
Billed to council tax payers	79,810	74,359
Transfers (to) / from General Fund	69	36
<b>Total</b>	<b>79,879</b>	<b>74,395</b>

### 3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2020 was £310,766,537 (31 March 2019: £299,159,267) and the Uniform Business Rate in 2019/20 was set by the government at 50.4p (2018/19: 49.3p).

### 4 Council Tax Expenditure

(£000s)	2019/20			2018/19		
	Precepts and demands	Distribution of previous year's surplus	Total	Precepts and demands	Distribution of previous year's surplus	Total
Cambridge City Council	8,628	6	8,634	8,243	0	8,243
Cambridgeshire County Council	57,320	41	57,361	53,728	0	53,728
Cambridgeshire Police and Crime Commissioner	9,727	6	9,733	8,543	0	8,543
Cambridgeshire Fire Authority	3,090	2	3,092	2,956	0	2,956

### 5 Provision for Non-Payment - Council Tax

A contribution of £1,350,000 was made to a provision for bad and doubtful debts in 2019/20 (2018/19: £1,004,000).

### 6 Provision for Non-Payment and Appeals - Non-Domestic Rates

A contribution of £641,000 was made to a provision for bad and doubtful debts in 2019/20 (2018/19: £941,000).

A provision is held for appeals relating to rateable value reductions in respect of 2019/20 and prior years. At 31 March 2020, this provision is £10,499,000 (31 March 2019: £10,122,000).

### 7 Collection Fund Surpluses and Deficits

The deficit of £251,000 at 31 March 2020 relating to council tax (31 March 2019: £40,000 surplus) 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.

## Additional Financial Statements and Information

The total council tax (surplus) / deficit is therefore shared as follows:

(£000s)	31 March 2020	31 March 2019
Council Tax:		
Cambridge City Council	28	(4)
Cambridgeshire County Council	183	(29)
Cambridgeshire Police and Crime Commissioner	31	(5)
Cambridgeshire Fire Authority	9	(2)
<b>Total</b>	<b>251</b>	<b>(40)</b>

The surplus of £8,794,000 at 31 March 2020 relating to non-domestic rates (31 March 2019: £4,012,000) will be redistributed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Fire Authority, central government and the Council in proportion to their shares of business rates income.

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

(£000s)	31 March 2020	31 March 2019
Non-domestic rates:		
Cambridge City Council	(3,518)	(1,605)
Central government	(4,397)	(2,006)
Cambridgeshire County Council	(791)	(361)
Cambridgeshire Fire Authority	(88)	(40)
<b>Total</b>	<b>(8,794)</b>	<b>(4,012)</b>

## Group Financial Statements for the year ended 31 March 2020

### Introduction

In order to provide a full picture of the Council's economic activities and financial position, Group Financial Statements are presented in addition to the Council's single entity financial statements and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 'Code'). They comprise:

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

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

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

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

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

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

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

The Council also has a 50% stake in a limited liability partnership (Cambridge Investment Partnership) with Hill Investment Partnerships Limited. The partnership is primarily engaged in house building and redeveloping land in the Cambridge area. This includes delivering new affordable and social dwellings for council housing financed from the Housing Revenue Account. As at 31 March 2020, the partnership consisted of four separate companies.

Cambridge Investment Partnership LLP, incorporated 30 November 2018, provides management services to CIP operating companies as needed. It also manages the main site and various design, build and sale contracts on behalf of the Council's social housing capital programme. The company reported a loss of £603,000 in 2019/20 (2018/19: nil). Note that up until 31 March 2019, the functions of this company were undertaken by CIP (Mill Road Development) LLP.

Operating companies are established for individual sites as they commence and details of those in existence during 2019/20 are as follows:



## Group Financial Statements

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- ◆ CIP (Mill Road Development) LLP, incorporated on 22 December 2016. The company reported a profit of £2,000 in 2019/20 (2018/19: £500,000 loss). Note that the 2018/19 performance includes the management functions now undertaken by Cambridge Investment Partnership LLP from 1 April 2019.
- ◆ CIP (Cromwell Road) LLP, incorporated on 10 January 2019. The financial statements for the year ended 31 March 2020 had no transactions going through the Statement of Comprehensive Income (2018/19: nil).
- ◆ CIP Orchard Park L2 LLP was incorporated on 19 December 2019. The financial statements for the year ended 31 March 2020 had no transactions going through the Statement of Comprehensive Income.

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

### Accounting Policies

The results of these entities are adjusted where applicable to align their accounting policies with those of the Council. All entities have a financial year-end of 31 March.

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

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

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

## Group Financial Statements

### Group Movement in Reserves Statement

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

#### Financial year 2019/20

(£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	Council share of subsidiaries' and joint ventures' reserves	Total Group reserves
<b>Balance as at 1 April 2019</b>	<b>(14,889)</b>	<b>(25,048)</b>	<b>(11,593)</b>	<b>(15,681)</b>	<b>(55,048)</b>	<b>(11,224)</b>	<b>(10,490)</b>	<b>(143,973)</b>	<b>(587,803)</b>	<b>(731,776)</b>	<b>182</b>	<b>(731,594)</b>
<b>Movement in reserves during 2019/20</b>												
(Surplus) / deficit on the provision of services	16,937	0	(30,442)	0	0	0	0	(13,505)	0	(13,505)	(291)	(13,796)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(52,914)	(52,914)	(191)	(53,105)
<b>Total comprehensive income and expenditure</b>	<b>16,937</b>	<b>0</b>	<b>(30,442)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,505)</b>	<b>(52,914)</b>	<b>(66,419)</b>	<b>(482)</b>	<b>(66,901)</b>
Adjustments between group accounts and authority accounts	279	0	(45)	0	0	0	0	234	0	234	(234)	0
<b>Net (increase) / decrease before transfers</b>	<b>17,216</b>	<b>0</b>	<b>(30,487)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,271)</b>	<b>(52,914)</b>	<b>(66,185)</b>	<b>(716)</b>	<b>(66,901)</b>
Adjustments between accounting basis and funding basis under regulations	(12,493)	0	25,421	0	8,391	1,423	(12,872)	9,870	(9,870)	0	0	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>4,723</b>	<b>0</b>	<b>(5,066)</b>	<b>0</b>	<b>8,391</b>	<b>1,423</b>	<b>(12,872)</b>	<b>(3,401)</b>	<b>(62,784)</b>	<b>(66,185)</b>	<b>(716)</b>	<b>(66,901)</b>
Transfers to / from earmarked reserves	(7,262)	7,262	1,576	(1,576)	0	0	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>(2,539)</b>	<b>7,262</b>	<b>(3,490)</b>	<b>(1,576)</b>	<b>8,391</b>	<b>1,423</b>	<b>(12,872)</b>	<b>(3,401)</b>	<b>(62,784)</b>	<b>(66,185)</b>	<b>(716)</b>	<b>(66,901)</b>
<b>Balance as at 31 March 2020</b>	<b>(17,428)</b>	<b>(17,786)</b>	<b>(15,083)</b>	<b>(17,257)</b>	<b>(46,657)</b>	<b>(9,801)</b>	<b>(23,362)</b>	<b>(147,374)</b>	<b>(650,587)</b>	<b>(797,961)</b>	<b>(534)</b>	<b>(798,495)</b>

# Group Financial Statements

## Financial year 2018/19

(£000s)	General Fund balance	Earmarked General Fund reserves	Housing Revenue Account balance	Earmarked HRA reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total usable reserves	Unusable reserves	Total Council reserves	Council share of subsidiaries' and joint ventures' reserves	Total Group reserves
<b>Balance as at 1 April 2018</b>	<b>(13,050)</b>	<b>(24,828)</b>	<b>(9,012)</b>	<b>(11,125)</b>	<b>(40,487)</b>	<b>(8,154)</b>	<b>(5,415)</b>	<b>(112,071)</b>	<b>(638,203)</b>	<b>(750,274)</b>	<b>(480)</b>	<b>(750,754)</b>
<b>Movement in reserves during 2018/19</b>												
(Surplus) / deficit on the provision of services	8,099	0	(12,072)	0	0	0	0	(3,973)	0	(3,973)	225	(3,748)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	22,471	22,471	437	22,908
<b>Total comprehensive income and expenditure</b>	<b>8,099</b>	<b>0</b>	<b>(12,072)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,973)</b>	<b>22,471</b>	<b>18,498</b>	<b>662</b>	<b>19,160</b>
Adjustments between accounting basis and funding basis under regulations	(10,158)	0	4,935	0	(14,561)	(3,070)	(5,075)	(27,929)	27,929	0	0	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>(2,059)</b>	<b>0</b>	<b>(7,137)</b>	<b>0</b>	<b>(14,561)</b>	<b>(3,070)</b>	<b>(5,075)</b>	<b>(31,902)</b>	<b>50,400</b>	<b>18,498</b>	<b>662</b>	<b>19,160</b>
Transfers to / from earmarked reserves	220	(220)	4,556	(4,556)	0	0	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>(1,839)</b>	<b>(220)</b>	<b>(2,581)</b>	<b>(4,556)</b>	<b>(14,561)</b>	<b>(3,070)</b>	<b>(5,075)</b>	<b>(31,902)</b>	<b>50,400</b>	<b>18,498</b>	<b>662</b>	<b>19,160</b>
<b>Balance as at 31 March 2019</b>	<b>(14,889)</b>	<b>(25,048)</b>	<b>(11,593)</b>	<b>(15,681)</b>	<b>(55,048)</b>	<b>(11,224)</b>	<b>(10,490)</b>	<b>(143,973)</b>	<b>(587,803)</b>	<b>(731,776)</b>	<b>182</b>	<b>(731,594)</b>

# Group Financial Statements

## Group Comprehensive Income and Expenditure Statement

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

(£000s)	2019/20			2018/19 (Restated)		
	Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Climate Change, Environment and City Centre	10,795	(3,627)	7,168	12,908	(4,128)	8,780
Communities	16,928	(8,768)	8,160	14,246	(4,617)	9,629
General Fund Housing	6,271	(2,044)	4,227	6,509	(2,080)	4,429
Planning Policy and Open Spaces	11,831	(3,610)	8,221	8,306	(2,151)	6,155
Transport and Community Safety	8,492	(10,304)	(1,812)	6,580	(10,555)	(3,975)
Housing Revenue Account	35,165	(41,520)	(6,355)	40,651	(41,556)	(905)
Finance and Resources	37,315	(33,673)	3,642	41,423	(37,805)	3,618
Strategy and External Partnerships	4,770	(363)	4,407	6,260	32	6,292
Other Group housing services	78	(293)	(215)	35	(295)	(260)
<b>Cost of services</b>	<b>131,645</b>	<b>(104,202)</b>	<b>27,443</b>	<b>136,918</b>	<b>(103,155)</b>	<b>33,763</b>
Other operating expenditure	1,134	(2,772)	(1,638)	1,134	(2,312)	(1,178)
Financing and investment income and expenditure	14,503	(1,126)	13,377	13,876	(6,552)	7,324
Taxation and non-specific grant income	0	(52,978)	(52,978)	0	(43,657)	(43,657)
<b>(Surplus) / deficit on the provision of services</b>	<b>147,282</b>	<b>(161,078)</b>	<b>(13,796)</b>	<b>151,928</b>	<b>(155,676)</b>	<b>(3,748)</b>
<i>Items that will not be reclassified to the (surplus) / deficit on the provision of services</i>						
(Surplus) / deficit on revaluation of non-current assets and impairment losses charged to revaluation reserve			(11,040)			3,032
Remeasurements of the net defined benefit liability			(42,065)			19,876
<b>Other comprehensive (income) / expenditure</b>			<b>(53,105)</b>			<b>22,908</b>
<b>Total comprehensive (income) / expenditure</b>			<b>(66,901)</b>			<b>19,160</b>

Prior year figures have been reclassified to reflect changes in the Council's internal reporting structure – there is no change to the total surplus on the provision of services figure reported previously.

# Group Financial Statements

## Group Balance Sheet

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

(£000s)	Notes	2019/20	2018/19
Property, plant and equipment	5	816,251	789,832
Heritage assets		669	669
Investment property		162,722	170,782
Intangible assets		555	336
Long term investments	7	66,999	49,562
Long term debtors		3,709	3,745
<b>Long term assets</b>		<b>1,050,905</b>	<b>1,014,926</b>
Short term investments	7	70,990	79,894
Inventories		187	151
Short term debtors		27,107	20,774
Cash and cash equivalents		11,786	9,837
<b>Current assets</b>		<b>110,070</b>	<b>110,656</b>
Short term borrowing		(82)	(82)
Short term creditors		(33,103)	(29,633)
Receipts in advance		(8,335)	(7,266)
Provisions		(4,419)	(4,445)
<b>Current liabilities</b>		<b>(45,939)</b>	<b>(41,426)</b>
Long term borrowing		(213,572)	(213,572)
Other long term liabilities		(102,882)	(138,895)
Receipts in advance		(87)	(95)
<b>Long term liabilities</b>		<b>(316,541)</b>	<b>(352,562)</b>
<b>Net assets</b>		<b>798,495</b>	<b>731,594</b>
Usable reserves		(147,034)	(143,098)
Unusable reserves		(651,461)	(588,496)
<b>Total reserves</b>		<b>(798,495)</b>	<b>(731,594)</b>

# Group Financial Statements

## Group Cash Flow Statement

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

(£000s)	Notes	2019/20	2018/19
Net surplus / (deficit) on the provision of services		13,796	3,748
Adjustment to the net surplus / (deficit) on the provision of service for non-cash movements	8	55,145	78,304
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities		(36,844)	(56,588)
<b>Net cash flows from operating activities</b>		<b>32,097</b>	<b>25,464</b>
Net cash flows from investing activities		(32,939)	(27,290)
Net cash flows from financing activities		2,791	3,347
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,949</b>	<b>1,521</b>
Cash and cash equivalents at the beginning of the year		9,837	8,316
<b>Cash and cash equivalents at the end of the year</b>		<b>11,786</b>	<b>9,837</b>

# Notes to the Group Financial Statements

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# Notes to the Group Financial Statements

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## 1 Group Boundary

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

The Council contributed 50% of the equity of each of the following organisations (together the Cambridge Investment Partnership), which are all treated as joint ventures for accounting purposes:

- ◆ CIP (Mill Road Development) LLP, incorporated on 22 December 2016
- ◆ Cambridge Investment Partnership LLP, incorporated on 30 November 2018
- ◆ CIP (Cromwell Road) LLP, incorporated on 10 January 2019
- ◆ CIP Orchard Park L2 LLP, incorporated on 19 December 2019

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

All of the assets, liabilities and activities of the Cambridge Live Group transferred to the Council on 1 April 2019, and are therefore incorporated within the Council's financial statements from this date. The two entities are now in the process of being wound up.

## 2 Basis of Consolidation

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

The Council's share of CIP (Mill Road Development) LLP's post acquisition results is a loss of £456,000 (31 March 2019: £457,000). In addition, the Council's share of the provision for unrealised profit on the disposal of the Mill Road site is £681,000 (31 March 2019: £681,000). As these amounts exceed the value of the Council's investment, the consolidated value of the LLP for group accounting purposes is currently nil (31 March 2019: nil).

The Council's share of Cambridge Investment Partnership LLP's post acquisition results is a loss of £302,000 (31 March 2019: nil). As this amount exceeds the value of the Council's investment, the consolidated value of the LLP for group accounting purposes is currently nil (31 March 2019: nil).

## 3 Business Activity of the Subsidiaries and Joint Venture

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

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



# Notes to the Group Financial Statements

The objective of Cambridge Live was the advancement of art for the public benefit. It fulfilled this objective through the delivering of an extensive events programme from a number of venues around Cambridge. Cambridge Live Trading Limited existed to support the work of Cambridge Live through the operation of commercial trading activities. The activities of both entities transferred to the Council on 1 April 2019.

## 4 Accounting Policies

In preparing the Group Financial Statements the Council has aligned the accounting policies of all group entities with those of the Council. These are set out on pages 77 to 95.

## 5 Property Plant and Equipment

### Financial year 2019/20

(£000s)	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Assets under construction	Total property, plant and equipment
<b>Cost or valuation</b>							
<b>At 1 April 2019</b>	<b>612,585</b>	<b>156,056</b>	<b>26,275</b>	<b>5,798</b>	<b>1,333</b>	<b>13,138</b>	<b>815,185</b>
Additions	10,401	751	1,231	1,223	6	28,730	42,342
Revaluation increases / (decreases) recognised in the revaluation reserve	(10,022)	7,123	0	0	0	0	(2,899)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(6,161)	308	0	0	0	0	(5,853)
De-recognition – disposals	(2,662)	0	(752)	0	0	0	(3,414)
De-recognition – other	(815)	(422)	(516)	0	0	1	(1,752)
Assets reclassified (to) / from investment properties	0	160	0	0	0	184	344
Assets reclassified (to) / from intangible assets	0	0	0	0	0	(192)	(192)
Assets reclassified (to) / from other categories of property, plant and equipment	5,223	(245)	424	163	0	(5,565)	0
<b>At 31 March 2020</b>	<b>608,549</b>	<b>163,731</b>	<b>26,662</b>	<b>7,184</b>	<b>1,339</b>	<b>36,296</b>	<b>843,761</b>
<b>Accumulated depreciation and impairment</b>							
<b>At 1 April 2019</b>	<b>0</b>	<b>(9,471)</b>	<b>(14,937)</b>	<b>(945)</b>	<b>0</b>	<b>0</b>	<b>(25,353)</b>
Depreciation charge	(10,416)	(4,774)	(2,094)	(157)	0	0	(17,441)
Depreciation written out to the revaluation reserve	10,352	3,587	0	0	0	0	13,939
De-recognition – disposals	45	0	721	0	0	0	766
De-recognition – other	19	137	423	0	0	0	579
<b>At 31 March 2020</b>	<b>0</b>	<b>(10,521)</b>	<b>(15,887)</b>	<b>(1,102)</b>	<b>0</b>	<b>0</b>	<b>(27,510)</b>
<b>Net book value</b>							
<b>At 31 March 2020</b>	<b>608,549</b>	<b>153,210</b>	<b>10,775</b>	<b>6,082</b>	<b>1,339</b>	<b>36,296</b>	<b>816,251</b>
<b>At 31 March 2019</b>	<b>612,585</b>	<b>146,585</b>	<b>11,338</b>	<b>4,853</b>	<b>1,333</b>	<b>13,138</b>	<b>789,832</b>

# Notes to the Group Financial Statements

## Financial year 2018/19

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

## 6 Property – Revaluations

Full details of the revaluation policy and approach adopted in respect of Council assets is set out at note 15 to the Council's financial statements on page 27.

CCHC properties are subject to annual revaluation by external valuers as at 31 March each year. The RICS registered valuer was Phillip Smith BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve).

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

## Notes to the Group Financial Statements

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

### COVID-19

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of COVID-19. Subsequently, on 23 March 2020, the Prime Minister announced that to limit the spread of the disease he would be requiring people to stay at home as much as possible. Since then, there have been various levels of business and movement restrictions in place at different times.

The pandemic, and the response to it, have significantly impacted market activity across many sectors, and have presented the Group's property valuers with an unprecedented set of circumstances on which to base their valuation judgements. In particular, evidence from transactions taking place before the pandemic now has less weight to inform opinions of value.

As such, both of the Group's external property valuers have reported their valuations on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to these valuations than would normally be the case. This includes the valuation of investment properties, council dwellings, and other land and buildings.

### Valuation Dates

The following table shows the current carrying value of Group 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 2020	608,549	145,990	754,539
31 March 2019	0	3,069	3,069
31 March 2018	0	1,089	1,089
31 March 2017	0	1,473	1,473
31 March 2016	0	1,589	1,589
<b>Total Valuation</b>	<b>608,549</b>	<b>153,210</b>	<b>761,759</b>

## 7 Short Term and Long Term Investments

(£000s)	2019/20		2018/19	
	Long term	Short term	Long term	Short term
Loans to joint ventures	39,840	0	31,850	0
Other investments	27,159	70,990	17,712	79,894
	<b>66,999</b>	<b>70,990</b>	<b>49,562</b>	<b>79,894</b>

## Notes to the Group Financial Statements

### 8 Cash Flow Statement – Operating Activities

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

(£000s)	2019/20	2018/19
Depreciation	17,441	17,000
Impairment and downward valuation	18,981	21,425
Amortisation	92	112
Increase in impairment for bad debts	303	489
Increase in creditors	1,625	3,728
Decrease / (increase) in debtors	6,767	(1,890)
(Increase) / decrease in inventories	(39)	20
Movement in pension liability	6,855	5,139
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,697	32,656
Other non-cash items credited to the net surplus or deficit on the provision of services	(577)	(375)
	<b>55,145</b>	<b>78,304</b>

# Statement of Accounting Policies

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## 1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 (the 'Code'), supported by International Financial Reporting Standards (IFRS).

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

### Going Concern

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 from the date that the accounts are authorised for issue.

The Council has carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2020/21 and beyond. This included consideration of the following:-

- ◆ Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- ◆ Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as remote working).
- ◆ Changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- ◆ The impact on the Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.
- ◆ The impact on the Council's subsidiaries and joint ventures.
- ◆ The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at 16 November 2020 the Council had around £41.6 million in cash and on-demand/short notice deposits), impact on investment returns, and availability of external borrowing if required.
- ◆ The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves.

This review has highlighted that COVID-19 poses a significant financial challenge for the Council, as it will for all local authorities.

The half-year forecast for 2020/21 shows an estimated General Fund budget gap for the year of £1.0 million. By way of context, the General Fund balance as at 31 March 2020 was £17.4 million, and the Council's prudent minimum balance on the General Fund is £6.3 million.

# Statement of Accounting Policies

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In respect of 2021/22, the Medium Term Financial Strategy published in October 2020 shows a General Fund savings requirement still to be identified of £3.0 million, following the planned use of £2.5 million of General Fund reserves.

It is therefore noted that there is significant headroom within the General Fund (even without the identification of additional savings) to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern 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.

## Statement of Accounting Policies

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

### 4 Changes in Accounting Policies and Estimates and Errors

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

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

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

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

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

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation is therefore replaced by the contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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



## 6 Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (based on the yields of the constituents of the iBoxx £ Corporates AA index, gilts yields, and the Council's weighted average duration).



## Statement of Accounting Policies

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The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- ◆ Quoted securities – current bid price
- ◆ Unquoted securities – professional estimate
- ◆ Unitised securities – current bid price
- ◆ Property – market value

The change in the net pension liability is analysed into the following components:

- ◆ Service Cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined benefit liability – i.e. the net interest expense for the Council. This is the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- ◆ Remeasurements comprising:
  - The return on plan assets excluding amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as other comprehensive income and expenditure.
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other comprehensive income and expenditure.

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

## 7 Events After the Reporting Period

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

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

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

## 8 Exceptional Items

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

## 9 Fair value measurement

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

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

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

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

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

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

## Statement of Accounting Policies

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

### 10 Financial Liabilities

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

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

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

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

### 11 Financial Assets

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

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

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

# Statement of Accounting Policies

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## **Amortised Cost**

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

However, the Council has also made a number of interest-free loans for private sector housing improvements, which are classified as 'soft loans'. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement annually based upon an effective rate of interest, which serves to increase the amortised cost of the loans in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

## **Expected Credit Loss Model**

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

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

## **Financial Assets Measured at Fair Value Through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

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

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

## Statement of Accounting Policies

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

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

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

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

### 12 Government Grants and Contributions

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

- ◆ the Council will comply with the conditions attached to the payments; and
- ◆ the grants or contributions will be received.

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

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

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

### 13 Intangible Assets

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

# Statement of Accounting Policies

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

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

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

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

## 14 Inventories

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

## 15 Investment Properties

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

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

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement



## Statement of Accounting Policies

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and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 16 Leases

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

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

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

#### The Council as Lessee

##### Finance Leases

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

Lease payments are apportioned between:

- ◆ a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- ◆ a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

##### Operating Leases

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

## Statement of Accounting Policies

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lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

### **The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

- ◆ a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received); and
- ◆ finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

#### **Operating Leases**

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



## 17 Overheads and Support Services

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

## 18 Property, Plant and Equipment

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

### Recognition

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

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

## Statement of Accounting Policies

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

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

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

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

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

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

### Impairment

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

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

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

## Statement of Accounting Policies

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

### **Disposals and non-current assets held for sale**

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

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

# Statement of Accounting Policies

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Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

## Depreciation

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

Depreciation is calculated on the following bases:

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

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

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

## 19 Heritage Assets

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

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

### Civic Regalia and Art Collection

The collection of civic regalia includes ceremonial maces, chains of office and other civic items. These items are reported in the Balance Sheet at insurance valuation which is based on market values. Further information on the most significant items in the collection can be found on the Council's [website](https://www.cambridge.gov.uk/ceremonial-maces-1207-charter-and-the-citys-coat-of-arms)<sup>23</sup>.

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<sup>23</sup> <https://www.cambridge.gov.uk/ceremonial-maces-1207-charter-and-the-citys-coat-of-arms>

## Statement of Accounting Policies

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The art collection (both oil and watercolour) includes portraits of historic figures with links to the city (many of them previous mayors and MPs) and paintings of the city. These items are reported in the Balance Sheet at insurance valuation which is based on market values.

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

### **Cellarer's Chequer**

The Council owns Cellarer's Chequer on the site of Barnwell Priory. The Cellarer was the second most important position in a monastery after the Abbot, dealing with the sourcing of provisions and supplies for the community. The Chequer is constructed from Barnack Stone with a tiled roof. It is in Early English style and is thought to be mid-13<sup>th</sup> century, retaining a doorway, windows and fireplace from this period. Further details can be found on the Council's [website](#)<sup>24</sup>.

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.

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<sup>24</sup> <https://www.cambridge.gov.uk/cellarers-chequer>

# Statement of Accounting Policies

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## **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 or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

## **22 Revenue Expenditure Funded from Capital under Statute**

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

## **23 Value Added Tax (VAT)**

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

## 24 Foreign Exchange Translation

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

## 25 Group Financial Statements

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

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

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

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

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



## Glossary of Financial Terms

### Accounting Period

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

### Accruals

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

### Amortisation

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

### Capital Expenditure

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

### Capital Receipt

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

### Cash Equivalents

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

### Contingent Liabilities

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

### Creditors

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

### Current Assets

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

### Current Liabilities

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



# Glossary of Financial Terms and Abbreviations

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## **Debtors**

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

## **Depreciation**

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

## **Effective Rate of Interest**

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

## **Equity Instrument**

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

## **Fair Value**

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

## **Finance Lease**

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

## **Financial Asset**

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

## **Financial Liability**

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

## **Financial Instrument**

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

## **Government Grants**

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

## **Heritage Assets**

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

## **Impairment**

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

## **Non-current Assets**

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

## **Operating Lease**

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

## **Outturn**

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

## **Precepts**

The amount which a local council which cannot levy a council tax directly on the public (for example a county council or police & fire authority) requires to be collected on its behalf.

## **Provisions**

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

## **Reserves**

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

## **Revenue Expenditure**

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

## **Revenue Expenditure Funded from Capital Under Statute**

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

## **Revenue Support Grant**

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

# Glossary of Financial Terms and Abbreviations

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## The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. 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

<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>GAAP</b>	Generally Accepted Accounting Practice
<b>HRA</b>	Housing Revenue Account
<b>IAS</b>	International Accounting Standard
<b>IFRS</b>	International Financial Reporting Standard
<b>LGPS</b>	Local Government Pension Scheme
<b>MRP</b>	Minimum Revenue Provision
<b>SOLACE</b>	Society of Local Authority Chief Executives and Senior Managers