

# Statement of Accounts



**For the year ended  
31 March 2019**

Cambridge City Council

# Cambridge City Council Statement of Accounts 2018/19

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## Contents

<b>Narrative Report</b> .....	iii
<b>Statement of Accounts</b>	
<b>Statement of Responsibilities</b> .....	xii
<b>Annual Governance Statement</b> .....	xiii
<b>Independent Auditor’s Report</b> .....	xxvii
<b>Main Financial Statements:</b>	
◆ Movement in Reserves Statement.....	2
◆ Comprehensive Income and Expenditure Statement.....	4
◆ Balance Sheet.....	5
◆ Cash Flow Statement.....	6
<b>Notes to the Main Financial Statements</b> .....	7
<b>Additional Financial Statements and Information:</b>	
◆ Housing Revenue Account Income and Expenditure Account.....	58
◆ Statement of Movement on the Housing Revenue Account.....	60
◆ Collection Fund Statement .....	63
◆ Notes to the Collection Fund Statement .....	64
<b>Group Financial Statements:</b>	
◆ Introduction .....	67
◆ Group Movement in Reserves Statement.....	69
◆ Group Comprehensive Income and Expenditure Statement.....	71
◆ Group Balance Sheet.....	72
◆ Group Cash Flow Statement .....	73
◆ Notes to the Group Financial Statements .....	74
<b>Statement of Accounting Policies</b> .....	82
<b>Glossary of Financial Terms and Abbreviations</b> .....	101

# Narrative Report

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The Statement of Accounts, set out on pages 1 to 104, contains a series of statements, summarising the financial implications to the Council of delivering services in the period from 1 April 2018 to 31 March 2019. 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 2018/19' (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 2018/19

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 July 2019, alongside a review of the financial performance for the year.

## Corporate Plan – Review of 2018/19

The Corporate Plan for 2016-19 lists the key activities which Cambridge City Council has undertaken over a three-year period in order to achieve our strategic objectives and vision.

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

### **Delivering sustainable prosperity for Cambridge and fair shares for all**

- ◆ Spent just over £572,000 to deliver 22 projects set out in our Anti-Poverty Strategy to improve the lives of local people living on low incomes in the city.
- ◆ Supported neighbourhood community development projects in Abbey, Arbury and Kings Hedges wards and started the process of realigning our resources so that we can ensure support to the communities and areas of highest need.
- ◆ Funded a number of projects that enabled a total of 323 people to gain the digital skills to access online services.
- ◆ Our Children and Young People's Participation Service provided over 730 sessions, which were attended by just over 25,000 children.
- ◆ Continued to fund Cambridge Citizens' Advice Bureau to provide vital local legal, debt and money advice free to city residents in most need, including the provision of outreach advice in two community centres and two GP settings.

### **Tackling the city's housing crisis and delivering our planning objectives**

- ◆ Investigated nearly 280 complaints concerning housing standards and empty properties and served 25 enforcement notices and 2 fixed penalty notices to bring about improvements. One landlord was prosecuted for failure to comply with an improvement notice.
- ◆ Helped bring back into use 26 empty homes, ensured that 182 occupied properties were brought up to standard and trained 46 landlords and property agents in good housing management practice.
- ◆ Identified 21 new sites for council housing schemes that will deliver a net gain of 536 new council homes overall.
- ◆ Prevented or relieved from homelessness just over 260 households threatened with losing their homes, provided homelessness advice to 863 households and found accommodation for 112 people at risk of rough sleeping.
- ◆ Completed the introduction of a shared planning service, whilst maintaining performance levels above government targets, with 97% of all major decisions made on time.

### **Making Cambridge safer and more inclusive**

- ◆ Dealt with just over 1,850 complaints relating to noise nuisance and served a total of 35 abatement notices.
- ◆ Dealt with over 500 cases of antisocial behaviour, of which 423 were assessed as being either medium or high risk.

# Narrative Report

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- ◆ Cleared 1,080 incidents of fly-tipping, removed abandoned belongings found on the city centre streets and worked with local homeless charities to reunite belongings with their owners, where possible.
- ◆ Resettled over 100 refugees, helping them to integrate into the city and to become self-sufficient and independent.
- ◆ Continued to prioritise work to reduce domestic violence, achieving re-accreditation as a White Ribbon Campaign Local Authority. We continued work in local schools to raise awareness of older school children about child sexual exploitation, healthy relationships and sexual consent.

## **Investing in improving transport and tackling congestion**

- ◆ Worked closely with Cambridge BID and other retailers to look at parking issues and delivery vehicle movements in Cambridge to try to move people away from using their car and reduce congestion, in a way that does not adversely affect local trade.
- ◆ Continued to work in partnership to help deliver Greater Cambridge Partnership infrastructure schemes, such as the Chisholm Trail, cross city cycling schemes and the West of Cambridge package, to support the sustainable growth of the city.
- ◆ Procured a new pay-by-phone supplier for our surface car parks, providing access by both phone and web-enabled mobile app, to make the customer experience better.
- ◆ Continued to work with our partners to develop the citywide provision of electric vehicle charging, to help make the city cleaner and greener.

## **Protecting our City's unique quality of life**

- ◆ Continued to provide accessible swimming pools and sports facilities with just over 880,000 visits during the year.
- ◆ Provided a free exercise referral scheme for people attending two GP health centres located in disadvantaged areas in the city, with 142 individuals participating.
- ◆ Funded 97 voluntary and community groups through our £900,000 community grants programme. These groups delivered 137 services and activities to help reduce social or economic inequality among Cambridge residents with the greatest needs.
- ◆ Delivered an extensive programme of infrastructure, environmental and cultural improvements across our city's streets and open spaces, investing over £2 million in projects to enhance community cohesion and the quality of life of city residents and visitors.
- ◆ Continued to implement our Tree Strategy, to protect, manage and enhance our tree stock, planting 312 trees in our parks and open spaces, processing over 632 applications for works to protected private trees and served 45 tree preservation orders.

## **Protecting essential services and transforming council delivery**

- ◆ Dealt with just under 320,000 contacts at our Council's Customer Service Centre and used self-serve technologies to improve our performance with 86% of calls resolved at first point of contact. The number of transactions through the internet has more than doubled over the past three years.
- ◆ Invested in additional commercial properties, with plans for more investment in coming years, to generate more income for the Council and to enhance the retail offering within the city centre.

# Narrative Report

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- ◆ Worked with shared service partners to jointly procure replacements for major business systems to enable the redesign of services, to deliver services digitally to our customers and to reduce costs.
- ◆ £227 million in Housing Infrastructure Funding was awarded to relocate a waste water treatment plant working with Anglian Water to enable the development of a new mixed use residential and commercial quarter.
- ◆ Successfully relocated our operational depot from Mill Road to Cowley Road, freeing up land for the development of more than 230 homes, 50% of which will be council rented.

## **Tackling climate change, and making Cambridge cleaner and greener**

- ◆ Collected 99.78% of household bins as planned, with 51% of household waste diverted from landfill.
- ◆ Made significant improvements to the energy efficiency of the Guildhall, installing LED lighting, double-glazing, improved controls on the heating system, replacement roofing and insulation and a photovoltaic system to provide fossil-free electricity.
- ◆ Supported our licensed taxi fleet to move away from diesel to ultra-low emission powered vehicles, with the number of fully electric taxis increasing from 2 to 25.
- ◆ Continued to apply the council's planning document on sustainable construction and energy and water efficiency to all major developments, achieving certification to Code Levels 4 and 5 and ensuring housing schemes met water efficiency requirements of no more than 110 litres/person/day.

## **Review of Financial Performance 2018/19**

### **Revenue Spending and Income**

#### **General Fund Services**

For 2018/19, the Council agreed a budget for net spending by committees of £22.8 million. The council tax for City Council services was set at £191.75 for Band D properties. The outturn figures, as reported to members, do not reflect a number of statutory accounting adjustments made at the year-end or the presentational requirements of the Code.

# Narrative Report

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

(£000s)	Final budget	Actual	Difference
Communities	7,476	7,585	109
Streets and Open Spaces	6,265	6,009	(256)
Environmental Services and City Centre	4,413	4,458	45
Planning, Policy and Transport	(971)	(1,047)	(76)
General Fund Housing	3,822	3,673	(149)
Finance and Resources	(5,183)	(6,272)	(1,089)
Strategy and Transformation	7,027	7,149	122
<b>Total Portfolio Expenditure</b>	<b>22,849</b>	<b>21,555</b>	<b>(1,294)</b>
Capital accounting adjustments	(6,323)	(6,363)	(40)
Capital plan expenditure funded from General Fund reserves	1,514	1,038	(476)
<b>Total</b>	<b>18,040</b>	<b>16,230</b>	<b>(1,810)</b>
<b>Financed by:</b>			
Revenue Support Grant	(571)	(571)	0
New Homes Bonus	(5,595)	(5,596)	(1)
Non-domestic rates share – net income	(3,757)	(3,929)	(172)
Non-domestic rates reliefs -- compensatory government grants	(1,205)	(1,522)	(317)
Other grants	(45)	(76)	(31)
Council tax	(8,227)	(8,227)	0
Net contributions to/(from) earmarked reserves – before year-end accounting adjustments	2,112	4,734	2,622
Contributions to/(from) General Fund reserves	(752)	(1,043)	(291)
<b>Total</b>	<b>(18,040)</b>	<b>(16,230)</b>	<b>1,810</b>

The Council's actual net portfolio revenue expenditure was £1,810,000 less than the final budget set for the year. A variety of factors contributed to this overall position, including underspends on shared services and higher levels of income on commercial property.

Under statutory regulation the amount of business rates credited to the General Fund in 2018/19 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 £489,000 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 and that presented in the Comprehensive Income and Expenditure Statement (CIES).

## Narrative Report

(£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
Communities	7,585	(1,899)	72	0	(60)	5,698
Streets and Open Spaces	6,009	(954)	282	0	201	5,538
Environmental Services and City Centre	4,458	(477)	116	0	(245)	3,852
Planning, Policy and Transport	(1,047)	(1,632)	105	0	(806)	(3,380)
General Fund Housing	3,673	(87)	146	0	(584)	3,148
Finance and Resources	(6,272)	(1,208)	8,486	0	272	1,278
Strategy and Transformation	7,149	(37)	91	0	(436)	6,767
Other Operating Income and Expenditure	0	0	(9,298)	0	(441)	(9,739)
<b>Total Portfolio Expenditure</b>	<b>21,555</b>	<b>(6,294)</b>	<b>0</b>	<b>0</b>	<b>(2,099)</b>	<b>13,162</b>
Capital accounting adjustments	(6,363)	6,294	0	0	56	(13)
Capital plan expenditure funded from General Fund reserves	1,038	0	0	3,660	344	5,042
Other statutory adjustments	0	0	0	0	(154)	(154)
<b>Total</b>	<b>16,230</b>	<b>0</b>	<b>0</b>	<b>3,660</b>	<b>(1,853)</b>	<b>18,037</b>
<b>Financed by:</b>						
Revenue Support Grant	(571)	0	0	0	0	(571)
New Homes Bonus	(5,596)	0	0	0	0	(5,596)
Non-domestic rates share – net income	(3,929)	0	0	0	(126)	(4,055)
Non-domestic rates reliefs – compensatory government grants	(1,522)	0	0	0	54	(1,468)
Other grants	(76)	0	0	0	(660)	(736)
Council tax	(8,227)	0	0	0	0	(8,227)
Net contributions to/(from) earmarked reserves	4,734	0	0	(3,660)	(854)	220
Contributions to/(from) General Fund reserves	(1,043)	0	0	0	3,439	2,396
<b>Total</b>	<b>(16,230)</b>	<b>0</b>	<b>0</b>	<b>(3,660)</b>	<b>1,853</b>	<b>(18,037)</b>

Overall, a net contribution to General Fund reserves of £2,396,000 has been reflected in the financial statements against a budgeted use of reserves of £752,000. At the 31 March 2019 the reserve stood at £15,777,000.



# Narrative Report

## 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 2018/19.

(£000s)	Final budget	Actual	Difference
Dwellings rents and other income	(42,172)	(42,205)	(33)
Expenditure	28,014	27,762	(252)
<b>Net cost of HRA services</b>	<b>(14,158)</b>	<b>(14,443)</b>	<b>(285)</b>
Interest receivable on HRA balances	(789)	(873)	(84)
Loan interest	7,513	7,514	1
Direct revenue financing of capital	597	727	130
Contributions from HRA earmarked reserves to general HRA reserves – before statutory adjustments	4,765	4,554	(211)
<b>(Surplus) / deficit for the year</b>	<b>(2,072)</b>	<b>(2,521)</b>	<b>(449)</b>

Income was slightly over-achieved overall. An underachievement of service charge income was recorded due to major refurbishment works and delays in selling shared ownership units. However, this was balanced by overachievements in rents for garages and commercial property and other contributions received.

There was a significant net overspend in repairs and maintenance, where there was a need to use sub-contractors to cover extensive staff training, upskilling and sickness. This was partially offset by technical delays to planned maintenance works. Investment in services as part of the Housing Transformation Programme was not completed in full during 2018/19 with some of the work being delivered in 2019/20.

Overall, the final outturn position in the Statement of Accounts (following statutory and other adjustments) was a contribution to HRA reserves of £2,600,000 against a budgeted contribution to reserves of £2,072,000. HRA reserves stood at £11,620,000 at 31 March 2019.

## Earmarked Reserves

There was an overall increase in General Fund earmarked reserves of £220,000 in 2018/19. This reflected a number of factors including contributions (net of expenditure) of £592,000 to support the Greater Cambridge Partnership, expenditure (net of contributions) of £1,859,000 on the Office Accommodation Strategy and contributions of £782,000 to the A14 Mitigation Fund earmarked reserves.

There was an overall increase in HRA earmarked reserves of £4,556,000. A contribution of £4,472,000 was made to a fund for possible future redevelopment or debt redemption.

## Capital Spending and Receipts

In 2018/19 the Council spent £54,023,000 on property, plant and equipment. Of this, £1,211,000 was on major repairs and improvements to council dwellings, £4,983,000 on new dwellings completions, £30,212,000 on other land and buildings, £2,725,000 on vehicles,

# Narrative Report

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plant and equipment, £11,000 on infrastructure and £14,881,000 on assets under construction. Of the assets under construction spend, £12,529,000 was on new housing developments. £11,191,000 of new council dwellings were completed in year and therefore transferred from assets under construction at the end of the year. These included extra care facilities in Ditchburn Place and new dwellings at Tuscan Court and Hawkins Road. The spend on other land and buildings included £27,000,000 on land at Cromwell Road, which was sold to Cambridge Investment Partnership for private and affordable house building.

In addition to the above, the Council also added 2 further units to its portfolio of investment properties at a cost of £1,232,000.

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 £34,906,000 (including £27,000,000 for the Cromwell Road land as above), of which £7,874,000 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 in note 18 to the accounts.

## Assets

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. As a result of asset revaluations and the capital expenditure discussed above (and net of asset disposals), the value of property, plant and equipment decreased by £13,680,000 to £781,963,000 and the value of investment property decreased by £4,499,000 to £170,782,000 as at 31 March 2019. 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 £138.0 million at 31 March 2019. This liability has no impact on the level of the Council's usable reserves.

The net pension liability has increased this year by £24.5 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 in note 35.

## Cash Flows

The balance of cash and cash equivalents at 31 March 2019 was £7,661,000. This excludes the Council's investments in fixed term deposits and other longer term investments which are detailed in note 22. Further information on cash flows for the year can be found in the Cash Flow Statement and accompanying notes (notes 36-39).

# Narrative Report

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## Council Staff

The number of staff employed by the Council decreased during the year from 698 full-time equivalents at 31 March 2018 to 683 at 31 March 2019.

## 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 include the Group Financial Statements which include the performance of the Council's wholly owned subsidiary, Cambridge City Housing Company and that of the Cambridge Investment Partnership LLP, a joint venture. During the year the Council took control of Cambridge Live and Cambridge Live Trading Limited, which have been consolidated as subsidiaries from 1 October 2018.

## Impact of COVID-19

As a result of the final version of these statements being approved in July 2020 we have considered the impact of the COVID-19 pandemic on the Council. The 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. We have considered the impact as an event after the balance sheet date (note 42 on page 56) and in respect of the impact on the Council's finances (Statement of Accounting Policies, 1 General Principles on page 82).

## Looking Ahead to 2019/20

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 proposed move to 75% business rates retention and 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 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code').

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

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

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 2019 and of its income and expenditure for the year then ended.

**Caroline Ryba, Head of Finance**  
**9 July 2020**

I confirm that these accounts were approved by the Civic Affairs Committee at its meeting held on 4 June 2020.

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

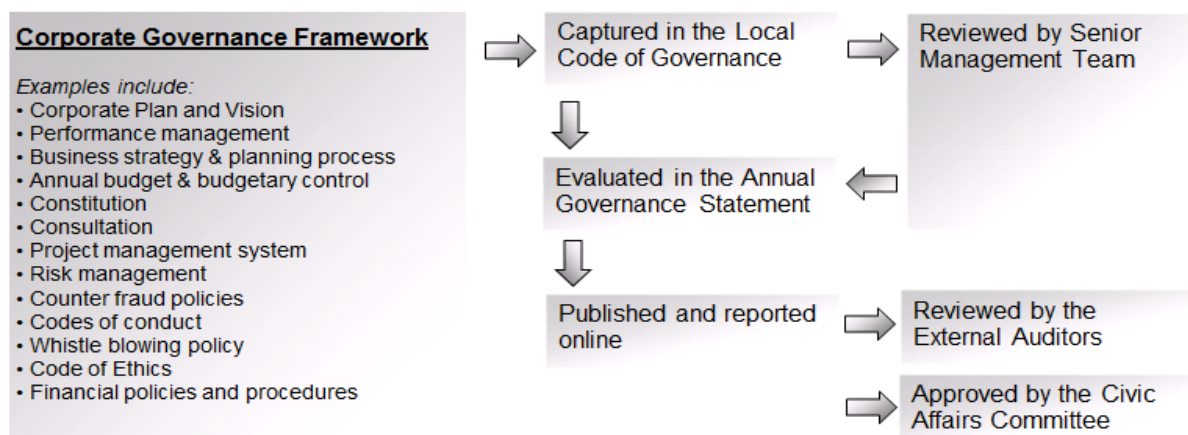
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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 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 sets strategic objectives under seven themes:

- ◆ Delivering sustainable prosperity for Cambridge and fair shares for all
- ◆ Tackling the city's housing crisis and delivering our planning objectives
- ◆ Making Cambridge safer and more inclusive
- ◆ Investing in improving transport and tackling congestion
- ◆ Protecting our city's unique quality of life
- ◆ Tackling climate change, and making Cambridge cleaner and greener
- ◆ Protecting essential services and transforming council delivery

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 2019 and up to the date of approval of the Statement of Accounts.

## Local Code of Governance

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

This Governance Framework is recorded in our [Local Code of Governance](#)<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

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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

## Role and responsibilities

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

Governance structures	Roles and responsibilities
<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 and the Head of Finance. It is supported by a Senior Management Team. Both teams consider policy formulation and future planning. Further details are published on our <a href="#">website</a> <sup>11</sup> .

<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>

# Annual Governance Statement

Governance structures	Roles and responsibilities
<b>Civic Affairs Committee</b>	<p>The Civic Affairs Committee also plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council 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>

## 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 have helped to review the Local Code of Governance, and also inform the Annual Governance Statement. In addition, assurance can be provided from other sources, as detailed below:

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



# Annual Governance Statement

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## **Head of Internal Audit Opinion**

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

The Annual Report was presented to the Civic Affairs Committee in July 2019. This report outlined the key findings of the audit work undertaken during 2018/19, including any areas of significant weakness in the internal control environment.

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

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2018/19, and this remains at a similar level to the previous year.

## **External Audit**

Ernst & Young (now EY) are the appointed external auditor.

## **Investors in People**

Following a visit from an assessor in October and November 2018, the Council has once again been successful in meeting the Investors in People (IiP) standard. The IiP standard is a national measure of good practice for employers in terms of the training and development opportunities provided for staff.

# Annual Governance Statement

## Progress from the last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2017/18](#)<sup>13</sup> which was approved by the Civic Affairs Committee. An update on the previous action plan is included below:

Action	Update and status
<b>Project Governance</b>	The Council has completed regular monitoring and reporting of major projects throughout the year. A project management audit and health check helped to inform a programme to help improve our project governance approach during 2018/19. Consequently a revised governance approach to project management was implemented. In addition, the Council has committed to implementing a new computerised Project Management System which will help improve management and monitoring.
<b>GDPR readiness</b>	Following preparation for the General Data Protection Regulations, the Council implemented procedural changes to reflect the new legislation  The Council also recognises that this is an evolutionary process, and has developed a continuous treatment plan in response to emerging good practice from both the General Data Protection Regulations and the Data Protection Act 2018. This is monitored through an Information Security Group, and chaired by a Data Protection Officer and Senior Risk Information Officer.
<b>Capacity to deliver services from loss of key personnel</b>	The Council recognises the ongoing difficulty recruiting in some areas and, as services undergo change, may be more at risk of losing key personnel.  To help manage the risk the Council has undertaken a number of activities. The Organisational Development Strategy was published in March 2018. Subsequently the Recruitment and Retention policies were reviewed during the year. In addition, the Council approved revisions to the Council's pay scale, considered the Pay Policy Statement and considered the annual Equality in Employment – End of Year Workforce report.
<b>Impact of external change</b>	The Council has actively consulted with stakeholders, and developed new policies and procedures where required to help manage the potential risks arising from external sources and changes in legislation. The Council is still potentially impacted by the Fair Funding Review and Brexit, and these are included in the current action plan.

<sup>13</sup> <https://www.cambridge.gov.uk/media/5059/statement-of-accounts-2017-18.pdf>

# Annual Governance Statement

Action	Update and status
<b>Implement actions from the Peer Challenge</b>	The Council participated in a Local Government Association peer challenge. This enabled us to reflect on our delivery and forward thinking, the things we do well, and our opportunities to improve. The Strategic Leadership Team has been delivering the action plan during the year.

## Review of effectiveness

The Council has a number of policies and procedures which are recorded in its Local Code of Governance. These are mapped to the 7 principles of good governance.

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

Ongoing good practice is recorded in the [Local Code of Governance](#)<sup>14</sup> and the review concludes that the Council has complied with its code. Additional examples of good practice from the last twelve months, and governance issues, considered when completing the review are recorded below:

Principle	Review of effectiveness
<b>A Behave: integrity, ethical values, respect rule of law</b>	<ul style="list-style-type: none"> <li>◆ The Local Code of Governance was reviewed and updated to reflect the latest professional standards and guidance.</li> <li>◆ The Council approved the revised Comprehensive Equalities and Diversity Policy and approved the Single Equality Scheme 2018-2021. The Comprehensive Equalities and Diversity Policy set out the Council's commitment to promoting equality and diversity, including through its role as an employer and a provider of services to the public. The Single Equality Scheme set out how the organisation would challenge discrimination and promote equal opportunities in all aspects of its work over the next 3 years.</li> </ul>

<sup>14</sup> <https://www.cambridge.gov.uk/code-of-corporate-governance>

# Annual Governance Statement

Principle	Review of effectiveness
<p><b>B Openness &amp; stakeholder engagement</b></p>	<ul style="list-style-type: none"> <li>◆ A Digital Transformation Strategy was approved for the Council. The strategy set out a vision and ambition for the Council to use new technologies to improve customer services, improve productivity, achieve efficiencies, and open up possibilities for involving and engaging residents in a new way.</li> <li>◆ In August the Council launched a new refreshed website, and this was supported by an online customer portal: <a href="https://my.cambridge.gov.uk/">https://my.cambridge.gov.uk/</a>.</li> <li>◆ Council adopted the Cambridge Local Plan 2018, and the Cambridge Policies Map 2018. The Local Plan sets out policies and proposals to guide future development and sets the framework for determining planning applications. Local Plans are shaped by early, proportionate and effective engagement with a wide variety of stakeholders. The Cambridge Local Plan was submitted for Examination on 28 March 2014 alongside the South Cambridgeshire Local Plan. Lead and Assistant Inspectors were appointed to carry out the Examination of both local plans in parallel, given the interrelationships and the joint nature of much of the evidence. Independent inspectors had concluded that the plan was sound, and could be adopted as part of the Development Plan.</li> <li>◆ Following a periodic review, and a 12-week consultation, the Council approved the Statement of Gambling Principles. Cambridge City Council, as the Licensing Authority, is required to discharge its responsibilities under the Gambling Act 2005 with a view to promoting the three licensing objectives, namely; preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime; ensuring that gambling is conducted in a fair and open way; and protecting children and other vulnerable persons from being harmed or exploited by gambling.</li> <li>◆ The Council undertook various consultations and engagements with stakeholders, including: <ul style="list-style-type: none"> <li>○ Residents were asked to give their ideas for ways to improve the city centre as part of the work for the 'Making Space For People' project.</li> <li>○ A consultation on the Council's Air Quality Action Plan was launched on national Clean Air Day.</li> <li>○ Initial plans for redeveloping the Cambridge Northern Fringe area were published ahead of a public consultation.</li> </ul> </li> </ul>

# Annual Governance Statement

Principle	Review of effectiveness
<p><b>C Defining outcomes – economic, social, environmental</b></p>	<ul style="list-style-type: none"> <li>◆ The Council has a Corporate Plan, which defines outcomes and sets out strategic level objectives. It is reviewed periodically and a new Corporate Plan 2019-2022 was set during the year. This introduced five new strategic objectives:               <ul style="list-style-type: none"> <li>○ Helping people in Cambridge who have the greatest need</li> <li>○ Planning for growth and ensuring our new communities are successful</li> <li>○ Protecting our environment and tackling climate change</li> <li>○ Delivering quality services within financial constraints</li> <li>○ Developing effective partnerships and an innovative and dynamic organisation</li> </ul> </li> <li>◆ Performance, achievements, and further actions linked to the Corporate Plan are included in the Corporate Plan Annual Report. The 2018/19 annual report was presented to the Strategy and Resources Scrutiny Committee in July 2019.</li> <li>◆ The Council received updates on significant development, such as the current status of the Cambridge Northern Fringe East, proposals for the site and next step actions.</li> <li>◆ The Council produced a revised and updated Anti-Poverty Strategy for the period from April 2017 to March 2020. The Council’s Anti-Poverty Strategy aims to: improve the standard of living and daily lives of those residents in Cambridge who are currently experiencing poverty; and to help alleviate issues that can lead households on low incomes to experience financial pressures.</li> <li>◆ The Council approved a single “Waste Collection Service Policies and Procedures” document setting out the service that Greater Cambridge Shared Waste Service would deliver for the residents of both Cambridge City Council and South Cambridgeshire District Council.</li> <li>◆ The Council signed up to the Oxford Charter for Cleaner Air. The purpose of the Charter is to maintain pressure on central government to take steps to reduce illegal levels of air pollution and to recognise the crucial role local authorities play in this area by providing them with adequate funding, powers and new legislation to be able to fulfil their role and deliver local air quality action plans and other actions.</li> </ul>

# Annual Governance Statement

Principle	Review of effectiveness
<b>D Determine interventions to achieve outcomes</b>	<ul style="list-style-type: none"> <li>◆ The 2018/19 Corporate Plan Annual Report highlights examples of actions which were completed to achieve our outcomes.</li> <li>◆ The Council adopted the Sustainable Food Policy Statement, acknowledging the innovative work that is taking place across Cambridge to help the city become a leader in sustainable food practice.</li> <li>◆ The Civic Affairs Committee reviewed the annual report of the complaints, comments and compliments and subsequently considered an update report for the waste services during the period of April - December 2018.</li> <li>◆ The Civic Affairs Committee received the annual report on transparency, including Data Protection, Freedom of Information and Environmental Information Regulations. In addition, they noted the Council was managing the changes to information legislation under GDPR &amp; Data Protection Act 2018 in May 2019.</li> <li>◆ The Housing Scrutiny Committee considered the report on Rough Sleeping, and endorsed the work already being carried out by the Homelessness team and our partners in delivering services to rough sleepers.</li> </ul>
<b>E Develop capacity and capability of entity</b>	<ul style="list-style-type: none"> <li>◆ Members were appointed to panels, with examples including Equalities, Joint Staff Employment Forum; and to outside bodies including: Greater Cambridge Partnership Executive Board, Local Government Information Unit, East of England Local Government Association, LGA General Assembly, Horizons Board, and the Cambridge Investment Partnership. This proactively helps the Council to work effectively with our partners.</li> <li>◆ A number of initiatives were completed to develop the capacity of the organisation: Recruitment policies and guidance were updated during the year; council staff transferred to the new Greater Cambridge Shared Planning Service; the new Real Living Wage rate for 2018-19 was announced during Living Wage Week; and the Council maintained its Investors in People accreditation.</li> <li>◆ The Council received updates on the work of the Cambridgeshire and Peterborough Business Board (former 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> </ul>

# Annual Governance Statement

Principle	Review of effectiveness
<b>F</b> Manage risk & performance, internal control, finance	<ul style="list-style-type: none"> <li>◆ The Council continued to implement the new Financial Management System, working on the Budgeting and Forecasting modules, to develop resilience and introduce smarter ways of working. Training and coaching was delivered to management and budget holders.</li> <li>◆ The Council presented a Corporate Plan Annual Report which shows what was achieved under the seven corporate priorities.</li> <li>◆ A Quality Assurance and Improvement Program, of compliance to the Public Sector Internal Audit Standards and the Local Government Application Note, was completed as good practice. An external assessment provided assurance that the service “generally conforms” with both standards, and this was reported to the Civic Affairs Committee.</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> </ul>
<b>G</b> Transparency, reporting, audit, accountability	<ul style="list-style-type: none"> <li>◆ The Council received an unqualified opinion on the Statement of Accounts for 2017/18. There was a delay to the approval of the 2018/19 Statement of Accounts. Both the Council and the externally appointed auditors have worked together to conclude these as promptly as possible, and progress updates have been communicated to the Civic Affairs Committee.</li> <li>◆ Council approved amendments to the Constitution which set out changes to the scrutiny committees and a review of the decision making process. It was agreed to create an Environment and Community Scrutiny Committee which will scrutinise the decisions of three executive councillors (Communities; Environmental Services &amp; City Centre; Streets &amp; Open Spaces) and create a Planning and Transport Scrutiny Committee which will scrutinise the decisions of one executive councillor (Planning Policy and Transport). This will help to balance workloads and reflect the changing service, delivery and partnership landscape.</li> </ul>

## Action plan

The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

The review process has helped us to identify some opportunities to improve the governance arrangements over the next twelve months. Some of these may feature in previous statements where the work is ongoing. They address both significant governance issues that have arisen during 2018/19, and also forward looking matters identified for 2019/20. These actions are captured in existing corporate plans and strategies.

# Annual Governance Statement

Subject	Actions	Responsible Officers
<b>Brexit Risk Management</b>	<p>There are a number of potential risks associated with Brexit, and the Council has been proactively managing these. 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. The Council has also been working with the Cambridgeshire Resilience Forum, to help manage the impact to communities across Cambridgeshire.</p> <p>There continues to be a reasonable amount of uncertainty, and the Council will continue to identify and manage the relevant risks over the next 12 months.</p> <p>To help provide assurance that the Council is taking all reasonable steps, resource has been included in the Internal Audit Plan to independently review the management of risks.</p>	Chief Executive working with the Strategic Leadership Team and the Cambridgeshire Resilience Forum
<b>Business Transformation</b>	<p>The Council is committed to delivering Business Transformation, and a revised governance framework for project management was implemented in 2018/19. This has helped to improve the accountability, risk management, performance and scrutiny, which is important as the Council aims to deliver significant projects.</p> <p>The Council has also committed to implementing a new Enterprise Portfolio Management System. This is a computer application which can potentially improve the management and monitoring of project delivery through smarter working.</p> <p>The Council has appointed to a new Head of Transformation post, which will help to provide capacity and support the Council deliver Business Transformation.</p> <p>These planned changes should help enable projects to be delivered efficiently and economically.</p>	Chief Executive working with the Strategic Leadership Team and the Cambridgeshire Resilience Forum



# Annual Governance Statement

Subject	Actions	Responsible Officers
<b>Cultural Events</b>	<p>The charity 'Cambridge Live' was established in 2014 to take advantage of operating efficiencies, cost savings and income generating opportunities, and provide a more innovative and flexible environment in which cultural activity in Cambridge could thrive for the benefit of local people.</p> <p>The Council decided to bring '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> <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. The Council is now drafting terms of reference to commission an external review of the service, to be agreed with the Environment and Community Scrutiny Committee. This will help the Council to benefit from any lessons learnt, and can be used when considering other alternative delivery models and future projects.</p>	Strategic Director, working with the Head of Community Services, Customer & Community Services
<b>Business Continuity</b>	<p>The Council has a positive track record of responding to and managing unplanned events. A number of unplanned Information Technology disruptions occurred during the current year and consequently business continuity plans were used to maintain services for our customers.</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 will review the effectiveness of the Business Continuity arrangements and communicate any opportunities for improvement throughout the organisation.</p>	Chief Executive working with the Strategic Leadership Team

# Annual Governance Statement

Subject	Actions	Responsible Officers
<p><b>Resources and funding</b></p>	<p>There are risks which could adversely impact our finance and resources, which are 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 available funding is less than budgeted. Consequently this could impact our capacity to maintain service delivery.</p> <p>The Council will continue to prepare for these risks, and will respond to any further pressures by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures.</p>	<p>Strategic Director, working with the Strategic Leadership Team</p>

## Conclusion

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 to the Members of Cambridge City Council

### Opinion

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

- ◆ Authority and Group Comprehensive Income and Expenditure Statement
- ◆ Authority and Group Movement in Reserves Statement
- ◆ Authority and Group Balance Sheet
- ◆ Authority and Group Cash Flow Statement
- ◆ Authority related notes 1 to 42 and notes 1 to 12 to the Group accounts
- ◆ Collection Fund and the related notes 1 to 10.
- ◆ Housing Revenue Account and the related notes 1 to 7.
- ◆ 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 2018/19.

In our opinion the financial statements:

- ◆ give a true and fair view of the financial position of Cambridge City Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- ◆ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Cambridge City Council 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.

### Emphasis of matter – Effects of COVID-19

We draw attention to the Statement of accounting policies, Note 1 General Principles of the financial statements, which describes the economic consequences the Council is facing as a result of COVID-19 which is impacting its financial position and performance during 2019/20, 2020/21 and beyond.

Our opinion is not modified in respect of this matter.

# Independent Auditor's Report

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## Conclusions relating to going concern

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

- ◆ the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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, 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 November 2017, we are satisfied that, in all significant respects, Cambridge City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Matters on which we report by exception:

We report to you if:

- ◆ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- ◆ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ◆ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

# Independent Auditor's Report

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- ◆ 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 Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the Authority's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether Cambridge City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG 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 2019.

# Independent Auditor's Report

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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 Cambridge City Council and the Cambridge City Council'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**

**9 July 2020**

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

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

# 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 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

## Financial year 2017/18

(£000s)	General Fund balance	Earmarked General Fund reserves	Housing Revenue Account balance	Earmarked HRA reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total usable reserves	Unusable reserves	Total Council reserves
<b>Balance at 1 April 2017</b>	<b>(15,412)</b>	<b>(23,377)</b>	<b>(10,179)</b>	<b>(4,241)</b>	<b>(32,293)</b>	<b>(5,549)</b>	<b>(4,231)</b>	<b>(95,282)</b>	<b>(600,560)</b>	<b>(695,842)</b>
<b>Movement in reserves during 2017/18</b>										
(Surplus) / deficit on the provision of services	2,026	0	(19,852)	0	0	0	0	(17,826)	0	(17,826)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(36,945)	(36,945)
<b>Total comprehensive income and expenditure</b>	<b>2,026</b>	<b>0</b>	<b>(19,852)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(17,826)</b>	<b>(36,945)</b>	<b>(54,771)</b>
Adjustments between accounting basis and funding basis under regulations (note 5)	(1,446)	0	14,127	0	(8,194)	(2,605)	(1,184)	698	(698)	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>580</b>	<b>0</b>	<b>(5,725)</b>	<b>0</b>	<b>(8,194)</b>	<b>(2,605)</b>	<b>(1,184)</b>	<b>(17,128)</b>	<b>(37,643)</b>	<b>(54,771)</b>
Transfers to / from earmarked reserves (note 6)	1,451	(1,451)	6,884	(6,884)	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>2,031</b>	<b>(1,451)</b>	<b>1,159</b>	<b>(6,884)</b>	<b>(8,194)</b>	<b>(2,605)</b>	<b>(1,184)</b>	<b>(17,128)</b>	<b>(37,643)</b>	<b>(54,771)</b>
<b>Balance at 31 March 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>

# 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	2018/19			2017/18		
		Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Communities		9,844	(934)	8,910	12,230	(795)	11,435
Streets and Open Spaces		10,964	(3,093)	7,871	10,286	(2,937)	7,349
Environmental Services and City Centre		8,030	(3,535)	4,495	7,723	(2,680)	5,043
Planning, Policy and Transport		10,108	(11,932)	(1,824)	12,554	(12,845)	(291)
General Fund Housing		6,509	(2,098)	4,411	6,428	(1,668)	4,760
Housing Revenue Account		40,651	(41,575)	(924)	19,671	(41,437)	(21,766)
Finance and Resources	4	40,686	(37,804)	2,882	42,493	(39,736)	2,757
Strategy and Transformation		7,394	(94)	7,300	6,085	(856)	5,229
<b>Cost of Services</b>		<b>134,186</b>	<b>(101,065)</b>	<b>33,121</b>	<b>117,470</b>	<b>(102,954)</b>	<b>14,516</b>
Other operating expenditure	7	1,134	(2,312)	(1,178)	3,119	(4,543)	(1,424)
Financing and investment income and expenditure	4/8	13,873	(6,708)	7,165	13,831	(16,000)	(2,169)
Taxation and non-specific grant income	4/9	0	(43,657)	(43,657)	0	(28,749)	(28,749)
<b>(Surplus) / deficit on the provision of services</b>	<b>1</b>	<b>149,193</b>	<b>(153,742)</b>	<b>(4,549)</b>	<b>134,420</b>	<b>(152,246)</b>	<b>(17,826)</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	4/32			3,160			(30,819)
Remeasurements of the net defined benefit liability	4/35			19,311			(5,454)
				<b>22,471</b>			<b>(36,273)</b>
<i>Items that may be reclassified to the (surplus) / deficit on the provision of services</i>							
(Surplus) / deficit on revaluation of available for sale financial assets				0			(672)
<b>Other comprehensive (income) / expenditure</b>				<b>22,471</b>			<b>(36,945)</b>
<b>Total comprehensive (income) / expenditure</b>				<b>17,922</b>			<b>(54,771)</b>

# 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 2019	31 March 2018
Property, plant and equipment	14	781,963	795,643
Heritage assets		669	669
Investment property	19	170,782	175,281
Intangible assets		336	318
Long term investments	22	57,062	32,775
Long term debtors	23	3,745	11,512
<b>Long term assets</b>		<b>1,014,557</b>	<b>1,016,198</b>
Short term investments	22	79,317	73,176
Assets held for sale	24	0	67
Inventories		133	151
Short term debtors	25	20,574	17,832
Cash and cash equivalents	26	7,661	8,248
<b>Current assets</b>		<b>107,685</b>	<b>99,474</b>
Short term borrowing	33	(82)	(82)
Short term creditors	27	(29,137)	(22,873)
Receipts in advance	28	(4,185)	(4,272)
Provisions	29	(4,445)	(4,467)
<b>Current liabilities</b>		<b>(37,849)</b>	<b>(31,694)</b>
Long term borrowing	33	(213,572)	(213,572)
Other long term liabilities	35	(138,035)	(113,585)
Capital grants receipts in advance	30	0	(6,208)
Receipts in advance		(95)	0
<b>Long term liabilities</b>		<b>(351,702)</b>	<b>(333,365)</b>
<b>Net assets</b>		<b>732,691</b>	<b>750,613</b>
Usable reserves	31	(144,888)	(112,410)
Unusable reserves	32	(587,803)	(638,203)
<b>Total reserves</b>		<b>(732,691)</b>	<b>(750,613)</b>

Caroline Ryba, Head of Finance

9 July 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	2018/19	2017/18
Net surplus or (deficit) on the provision of services		4,549	17,826
Adjustment to surplus or deficit on the provision of service for non-cash movements	36	76,759	32,338
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	36	(56,588)	(33,660)
<b>Net cash flows from operating activities</b>		<b>24,720</b>	<b>16,504</b>
Net cash flows from investing activities	37	(28,654)	(25,705)
Net cash flows from financing activities	38	3,347	2,434
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(587)</b>	<b>(6,767)</b>
Cash and cash equivalents at the beginning of the year	26	8,248	15,015
<b>Cash and cash equivalents at the end of the year</b>	26	<b>7,661</b>	<b>8,248</b>

# Notes to the Main Financial Statements

## Index to the notes to the main financial statements

1	Expenditure and Funding Analysis .....	8
2	Critical Judgements in Applying Accounting Policies .....	9
3	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty .....	10
4	CIES – Material Items of Income and Expenditure .....	11
5	MIRS – Adjustments Between Accounting Basis and Funding Basis Under Regulations .....	12
6	MIRS – Transfers to / from Earmarked Reserves .....	17
7	CIES – Other Operating Expenditure .....	18
8	CIES – Financing and Investment Income and Expenditure .....	18
9	CIES – Taxation and Non-Specific Grant Income .....	18
10	Members’ Allowances .....	19
11	Related Party Transactions .....	19
12	Employee Remuneration .....	23
13	External Audit Costs .....	25
14	Property, Plant and Equipment .....	25
15	Property – Revaluations .....	27
16	Property, Plant and Equipment – Depreciation .....	28
17	Capital Expenditure and Capital Financing .....	28
18	Capital Commitments .....	29
19	Investment Properties .....	30
20	Fair Value Measurement of Investment Properties .....	30
21	Leases .....	32
22	Short Term and Long Term Investments .....	33
23	Long Term Debtors .....	33
24	Assets Held for Sale .....	34
25	Short Term Debtors .....	34
26	Cash and Cash Equivalents .....	34
27	Short Term Creditors .....	34
28	Receipts in Advance .....	35
29	Provisions .....	35
30	Grant Income .....	36
31	Usable Reserves .....	36
32	Unusable Reserves .....	37
33	Financial Instruments .....	40
34	Nature and Extent of Risks Arising from Financial Instruments .....	44
35	Defined Benefit Pension Schemes .....	49
36	Cash Flow Statement – Operating Activities .....	54
37	Cash Flow Statement – Investing Activities .....	55
38	Cash Flow Statement – Financing Activities .....	55
39	Reconciliation of Liabilities Arising from Financing Activities .....	55
40	Impact of the Adoption of New Accounting Standards on the Financial Statements .....	56
41	Date the Statement of Accounts was Authorised for Issue .....	56
42	Events After the Reporting Period .....	56

# 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)	2018/19					2017/18				
	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
Communities	5,698	2,757	455	0	8,910	5,652	5,372	411	0	11,435
Streets and Open Spaces	5,538	1,273	1,060	0	7,871	5,464	1,061	824	0	7,349
Environmental Services and City Centre	3,852	614	29	0	4,495	4,286	355	402	0	5,043
Planning, Policy and Transport	(3,380)	1,105	451	0	(1,824)	(2,342)	1,325	726	0	(291)
General Fund Housing	3,148	882	381	0	4,411	3,409	887	414	50	4,760
Housing Revenue Account	(13,992)	12,576	492	0	(924)	(16,708)	(5,436)	378	0	(21,766)
Finance and Resources	1,278	1,208	396	0	2,882	1,110	1,241	406	0	2,757
Strategy and Transformation	6,767	1,634	(1,101)	0	7,300	6,194	595	(1,561)	1	5,229
<b>Net Cost of Services</b>	<b>8,909</b>	<b>22,049</b>	<b>2,163</b>	<b>0</b>	<b>33,121</b>	<b>7,065</b>	<b>5,400</b>	<b>2,000</b>	<b>51</b>	<b>14,516</b>
Other income and expenditure	(18,681)	(20,851)	2,976	(1,114)	(37,670)	(12,210)	(22,069)	3,007	(1,070)	(32,342)
<b>(Surplus) / deficit for the year</b>	<b>(9,772)</b>	<b>1,198</b>	<b>5,139</b>	<b>(1,114)</b>	<b>(4,549)</b>	<b>(5,145)</b>	<b>(16,669)</b>	<b>5,007</b>	<b>(1,019)</b>	<b>(17,826)</b>
Plus opening General Fund and HRA Balance	(58,354)					(53,209)				
<b>Closing General Fund and HRA Balance at 31 March 2019*</b>	<b>(68,126)</b>					<b>(58,354)</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

Income and expenditure are analysed subjectively as follows:

(£000s)	2018/19	2017/18
Employee benefit expenses	36,331	36,700
Other service expenses	69,493	68,973
Depreciation, amortisation and impairment	30,096	15,704
Interest payments and investment income expenses	12,139	12,082
Payments to Housing Capital Receipts Pool	1,134	961
<b>Total expenditure</b>	<b>149,193</b>	<b>134,420</b>
Fees, charges and other service income	(63,293)	(64,049)
Interest and investment income	(4,782)	(14,111)
Income from council tax	(8,234)	(7,830)
Income from non-domestic rates	(5,370)	(4,655)
(Gain) or loss on the disposal of non-current assets	(2,312)	(4,543)
Government grants, contributions and donations	(69,751)	(57,058)
<b>Total income</b>	<b>(153,742)</b>	<b>(152,246)</b>
<b>Surplus on the provision of services</b>	<b>(4,549)</b>	<b>(17,826)</b>

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

(£000s)	2018/19	2017/18
Communities	(675)	(480)
Streets and Open Spaces	(2,630)	(2,887)
Environmental Services and City Centre	(3,260)	(2,681)
Planning, Policy and Transport	(11,956)	(12,677)
General Fund Housing	(1,188)	(837)
Housing Revenue Account	(41,046)	(41,408)
Finance and Resources	(505)	(743)
Strategy and Transformation	(107)	(447)
Financing and investment income	(1,926)	(1,889)
<b>Fees, charges and other service income</b>	<b>(63,293)</b>	<b>(64,049)</b>

In addition to this external income, interest and investment income above includes rental income from the Council's investment property portfolio of £10,444,000 (£9,941,000 in 2017/18).

## 2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 82 to 100, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

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

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

#### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The net pension liability at 31 March 2019 is estimated to be £138.0 million (£113.6 million at 31 March 2018) and the estimated effects on the liability of changes in individual assumptions are disclosed in note 35.

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

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

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall; it is estimated that the annual depreciation charge for assets would increase by approximately £1,378,000 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 2019 following successful rating valuation appeals. The Council's share of this provision is £4.0 million (£4.1 million at 31 March 2018) as disclosed in note 29. 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. 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 in notes 15, 20 and 33.

## 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.

Housing benefit subsidy grants received from government totalling £36.1 million (£37.8 million in 2017/18), together with associated expenditure on housing benefits of £36.6 million (£38.4 million in 2017/18), are included within Finance and Resources income and expenditure.

Financing and investment income includes losses on the value of central shopping centres held within investment properties of £10.9 million (£3.1 million loss in 2017/18). Other investment properties had a net gain of £3.2 million on revaluation (£5.8 million gain in 2017/18).

Financing and investment expenditure includes interest payable on Public Works Loan Board (PWLB) borrowings of £7.5 million (£7.5 million in 2017/18).

The Council's share of non-domestic rates income totalling £41.2 million (£39.5 million in 2017/18) and the tariff of £35.8 million (£34.8 million in 2017/18) payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

There is a total charge for remeasurements of the Council's net defined benefit pension liability of £19.3 million (total net credit in 2017/18 of £5.4 million). This net figure reflects a number of aspects as detailed in note 35.

### **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 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
Minimum Revenue Provision	455	0	0	0	0	(455)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
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 Housing Revenue Account to the General fund 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

## Financial year 2017/18

(£000s)	Usable reserves					Unusable reserves
	General Fund balance	Housing Revenue Account balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<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	(6,557)	(304)	0	(9,716)	0	16,577
Net revaluation (losses)/gains on property, plant and equipment	(2,633)	5,741	0	0	0	(3,108)
Net revaluation (losses)/gains on assets held for sale	(2,067)	(91)	0	0	0	2,158
Movements in the market value of investment properties	2,523	151	0	0	0	(2,674)
Amortisation of intangible assets	(72)	0	0	0	0	72
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,583)	0	0	0	0	1,583
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(12,346)	(9,244)	0	0	0	21,590
Minimum Revenue Provision	294	0	0	0	0	(294)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Private sector housing loan repayments – original loan less than £10,000	(14)	0	0	0	0	14
Capital expenditure charged against General Fund and HRA balances	5,868	4,519	0	0	0	(10,387)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,088	1,270	0	0	(7,358)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	6,174	(6,174)
<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	4,355	12,653	(17,008)	0	0	0
Other capital receipts	0	26	(26)	0	0	0
Transfer of capital receipts to administrative costs of disposal of non-current assets	0	(228)	228	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	7,662	0	0	(7,662)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(961)	0	961	0	0	0
Transfer to Capital Receipts Reserve on receipt of loan payment	0	0	(11)	0	0	11

## 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	9,267	0	0	0	0	(9,267)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,111	0	(7,111)
<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	(22)	0	0	0	0	22
<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	(9,892)	(1,764)	0	0	0	11,656
Employer's pension contributions and direct payments to pensioners payable in the year	5,263	1,386	0	0	0	(6,649)
<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	1,055	0	0	0	0	(1,055)
<b>Adjustments primarily involving the Housing Revenue Account:</b>						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(12)	12	0	0	0	0
<b>Total adjustments</b>	<b>(1,446)</b>	<b>14,127</b>	<b>(8,194)</b>	<b>(2,605)</b>	<b>(1,184)</b>	<b>(698)</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 2018/19.

(£000s)	Balance at 1 April 2017	Transfer In	Transfer Out	Balance at 31 March 2018	Transfer In	Transfer Out	Balance at 31 March 2019
<b>General Fund:</b>							
Asset repair and renewal reserves	(3,615)	(1,473)	2,125	(2,963)	(1,550)	2,895	(1,618)
Insurance Fund	(1,073)	(54)	0	(1,127)	(34)	0	(1,161)
Technology Investment Fund	(126)	0	0	(126)	(1)	0	(127)
Development Plan Reserve	(144)	(442)	272	(314)	(415)	(210)	(939)
Revenue contributions to capital	(3)	0	0	(3)	0	0	(3)
Climate Change Fund	(137)	(250)	43	(344)	(251)	227	(368)
Business Rates Retention	(743)	0	743	0	0	0	0
Fixed Term Priority Projects	(151)	0	0	(151)	0	151	0
Sharing Prosperity	(576)	(300)	255	(621)	(200)	561	(260)
Invest for Income Fund	(7,500)	(500)	0	(8,000)	0	0	(8,000)
Greater Cambridge Partnership Fund	(4,557)	(2,385)	1,908	(5,034)	(2,238)	1,646	(5,626)
Office accommodation strategy	(2,582)	(1,534)	1,357	(2,759)	0	1,859	(900)
Contribution to A14 Fund	0	(718)	0	(718)	(782)	0	(1,500)
Other	(2,170)	(913)	415	(2,668)	(3,319)	1,441	(4,546)
<b>Total</b>	<b>(23,377)</b>	<b>(8,569)</b>	<b>7,118</b>	<b>(24,828)</b>	<b>(8,790)</b>	<b>8,570</b>	<b>(25,048)</b>
<b>Housing Revenue Account:</b>							
Asset Repair and Renewal Reserve	(2,252)	(287)	119	(2,420)	(286)	210	(2,496)
Earmarked for debt redemption / reinvestment	(1,902)	(6,770)	0	(8,672)	(4,472)	0	(13,144)
Other	(87)	(6)	60	(33)	(8)	0	(41)
<b>Total</b>	<b>(4,241)</b>	<b>(7,063)</b>	<b>179</b>	<b>(11,125)</b>	<b>(4,766)</b>	<b>210</b>	<b>(15,681)</b>

## Notes to the Main Financial Statements

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

(£000s)	2018/19		2017/18	
	Income	Expenditure	Income	Expenditure
Payments to the government housing capital receipts pool	0	1,134	0	961
Impairment losses on assets held for sale	0	0	0	2,158
(Gains) / losses on the disposal of non-current assets	(2,312)	0	(4,516)	0
Other income	0	0	(27)	0
	<b>(2,312)</b>	<b>1,134</b>	<b>(4,543)</b>	<b>3,119</b>

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

(£000s)	2018/19		2017/18	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,494	0	7,494
Pensions interest expense	0	2,976	0	2,912
(Gains) and losses on trading accounts	(1,926)	1,734	(1,888)	1,645
Interest receivable and similar income	(1,854)	0	(1,496)	0
Income and expenditure in relation to investment properties and changes in their fair value	(2,743)	1,669	(12,616)	1,780
(Gains) and losses on financial instruments held at fair value through profit and loss	(185)	0	0	0
	<b>(6,708)</b>	<b>13,873</b>	<b>(16,000)</b>	<b>13,831</b>

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

(£000s)	2018/19	2017/18
Council tax income	(8,234)	(7,831)
Net council share of business rates income	(5,370)	(4,655)
Non-ringfenced government grants	(8,371)	(8,904)
Capital grants and contributions	(21,682)	(7,359)
	<b>(43,657)</b>	<b>(28,749)</b>

The business rates income retained by the Council under the business rates retention scheme of £5,370,000 (2017/18, £4,655,000) comprises the Council's share of income of £41,213,000 (2017/18, £39,453,000) less a tariff payment due to central government of £35,843,000 (2017/18, £34,798,000).



## 10 Members' Allowances

The total of allowances and expenses paid to members during the financial year was £338,000 (£310,000 in 2017/18). 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.

### 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 in note 30.

### 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)	2018/19	2017/18
Income recognised in year	(13,567)	(594)
Debtor balance at 31 March	2,686	596

### 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 2018/19, 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>.

## Notes to the Main Financial Statements

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 2019 (£000s)	Creditor balance at 31 March 2019 (£000s)
Cambridge BID Ltd	Cllr Rosy Moore – Director of Cambridge BID Ltd	131	154	17	0
Wintercomfort for the Homeless	Cllr Rod Cantrill – Trustee of Wintercomfort for the Homeless	4	112	0	23
Arbury Community Association	Cllr Mike Todd-Jones – Trustee of Arbury Community Association	2	52	0	0
Cambridge Sustainable Food CIC	Cllr Katie Thornburrow – Director of Cambridge Sustainable Food CIC	1	28	0	0

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 £972,000 (2017/18: £583,000), and paid £879,000 over to Cambridge BID (2017/18: £664,000). At 31 March 2019, the outstanding creditor balance due to Cambridge BID in respect of these levies was £114,000 (£21,000 at 31 March 2018).

### 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.

Council officers worked with the trust in 2018 as financial difficulties were identified. A report was presented to council in July 2018 and a provision of £500,000 was agreed to support operations. However, it became evident that the trust would not be able to overcome these difficulties and an executive decision was taken in December 2018 to terminate the contract and bring all operations back to the council in 2019.

The Council made a loan to the company for start-up costs of £125,000 which was 100% provided for in 2017/18. No interest is due on the repayment. The council paid £340,000 to the company partly for services in 2018/19 and partly by way of a grant for city events (£450,000 in 2017/18). At the year-end, short term creditors with Cambridge Live and its trading subsidiary were nil (£10,000 at 31 March 2018).

The Council has also recharged the company for its share of costs including utilities and has also paid for some services, but on the same basis as other customers of Cambridge Live. Income from Cambridge Live in 2018/19 was £223,000. At the year-end, short term debtors were £14,000 (£2,000 at 31 March 2018).

The role of the Council changed during the year; it has exercised significant influence over Cambridge Live and took direct control of operations from 1 October 2018. The results of Cambridge Live since that time have been consolidated into the Group Financial Statements.

## Notes to the Main Financial Statements

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### 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 2019 there were 12 directors, of which one was appointed by the City Council. The Council is therefore not considered to have significant influence over the company. As disclosed in note 23, start-up costs of £90,000 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 a 100% provision has been included in these accounts accordingly.

The Council has paid grant and other subsidies of £85,000 to VCB in 2018/19 (£48,000 in 2017/18), 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 2018/19 totalled £68,000. At 31 March 2019 short term debtors were £13,000 (£13,000 in 2017/18) and short term creditors were £12,000 (£0 in 2017/18).

### 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 structure of the partnership has been amended during the year to consist of 3 separate companies.

Cambridge Investment Partnership LLP, incorporated 30 November 2018, will provide management services to CIP operating companies as needed. This is a new company and replaces the organisation reported in the 2017/18 accounts. The financial statements for the year ended 31 March 2019 were a nil return.

Operating companies are being established for individual sites as they commence and details of the first two are given below.

CIP (Mill Road Development) LLP, incorporated on 22 December 2016. This was formerly the Cambridge Investment Partnership LLP reported in the 2017/18 accounts. This company reported a loss of £500,000 in the year ended 31 March 2019 (£413,000 loss in 2017/18).

CIP (Cromwell Road) LLP was incorporated on 10 January 2019. The financial statements for the year ended 31 March 2019 had no transactions going through the Statement of Comprehensive Income. The Council had an outstanding long term investment balance of £27,000,000 with the LLP at 31 March 2019, representing a loan note in consideration of development land transferred to the LLP in March 2019.

The Council recognised income of £199,000 from CIP (Mill Road Development) during 2018/19 in respect of management recharges (£232,000 in 2017/18).

The Council disposed of the former Mill Road depot site to CIP (Mill Road Development) in December 2017. The deferred sales proceeds due from CIP are reflected in a loan note (currently expected to be repaid in 2021) as disclosed in note 23. Notional interest on the loan is required to be reflected in interest income – this was £184,000 for 2018/19 (£45,000 in 2017/18).

CIP (Mill Road Development) is currently managing the main site and various design, build and sale contracts on behalf of the Council's social housing capital programme. The cost of

## Notes to the Main Financial Statements

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work carried out by the partnership in 2018/19 was £8,571,000 (£707,000 in 2017/18) with £4,561,000 (nil in 2017/18) of costs incurred on Mill Road and £4,010,000 (£707,000 in 2017/18) for other sites including a 56 dwelling development in Anstey Way.

These other contracts will be transferred to Cambridge Investment Partnership LLP to ensure individual contract performance can be reported in a more transparent way.

In group accounting terms, these companies form a joint venture and have been consolidated accordingly 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.

As detailed in note 22 the Council made a loan to CCHC of £7,500,000 in 2016/17. Interest of £152,000 (£152,000 in 2017/18) on the loan is included in financing and investment income.

The Council recognised income from management fees, repairs and service charges totalling £50,000 in 2018/19 (£34,000 in 2017/18). Total debtors at 31 March 2019 were £16,000 (£15,000 at 31 March 2018).

The company made a profit of £189,000 for 2018/19 (£351,000 in 2017/18). Revaluation gains of £149,000 (£292,000 in 2017/18) are included in these results.

The company has been consolidated into the Group Financial Statements.

### **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 community centre opened towards the end of 2017/18 and discussions on leasing the building are in progress.

The Council incurred and recharged staff management costs of £131,000 to the Trust in relation to 2018/19 (£68,000 in 2017/18). There is a debtor balance of £39,000 at 31 March 2019 (£21,000 at 31 March 2018).

In group accounting terms, Storey's Field Community Trust is a joint venture, but the Council has not included the Trust's results in the 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).

### **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

## Notes to the Main Financial Statements

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.

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

### 12 Employee Remuneration

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

	2018/19	2017/18
£50,000 to £54,999	9	5
£55,000 to £59,999	4	2
£60,000 to £64,999	0	1
£65,000 to £69,999	4	3
£70,000 to £74,999	8	7
£85,000 to £89,999	0	1
£90,000 to £94,999	2	0
£120,000 to £124,999	0	1
£125,000 to £129,999	1	0
<b>Total</b>	<b>28</b>	<b>20</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 2018/19

(£) Position / Name	Note	Salary	Honorarium	Redundancy	Pension Contribution	Total
Chief Executive (A Jackson)	1	127,464	0	0	22,608	150,072
Strategic Director (S Hemingway)		90,642	0	0	15,772	106,414
Strategic Director (F Bryant)		90,642	0	0	15,772	106,414
Head of Corporate Strategy (A Limb)		74,571	0	0	12,975	87,546
Head of Finance (Section 151 Officer) (C Ryba)	2	74,571	0	0	12,975	87,546

Notes:

1. The Chief Executive received election payments of £2,790 in addition to the above.
2. The Head of Finance is shared with South Cambridgeshire District Council (SCDC), with a charge of £38,670 in 2018/19.
3. 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.

## Notes to the Main Financial Statements

### Financial year 2017/18

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

#### Notes:

1. The Chief Executive received election payments of £8,733 in addition to the above.
2. The Strategic Director commenced employment with the Council on 17 July 2017.
3. The Head of Finance is shared with South Cambridgeshire District Council (SCDC), with a charge of £37,542 for 2017/18.
4. The post of Strategic Advisor (2 days per week) left the Council on 6 September 2017.
5. The Council shares a Director of Economic Development and Planning employed by SCDC. The Council's share of costs for 2017/18 was £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		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000	2	6	0	0	2	6	14	36
£20,001 - £40,000	3	1	0	0	3	1	107	39
<b>Total</b>	<b>5</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>7</b>	<b>121</b>	<b>75</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.

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

# Notes to the Main Financial Statements

## 13 External Audit Costs

(£000s)	2018/19	2017/18 (Restated)
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	40	52
Additional fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	38	5
Fees payable to Ernst and Young LLP for the certification of grant claims and returns for the year	21	19
	<b>99</b>	<b>76</b>

## 14 Property, Plant and Equipment

### Financial year 2018/19

(£000s)	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & 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>0</b>	<b>15,430</b>	<b>817,534</b>
Additions	6,194	30,212	2,725	11	0	0	14,881	54,023
Revaluation increases / (decreases) recognised in the revaluation reserve	(15,885)	(157)	0	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	0	(13,131)
De-recognition – disposals	(3,098)	0	(688)	0	0	0	0	(3,786)
De-recognition – other	(1,543)	(451)	0	0	0	0	(167)	(2,161)
Assets reclassified (to) / from investment properties	0	(2,400)	0	0	0	0	0	(2,400)
Assets reclassified (to) / from assets held for sale	0	(27,000)	0	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)	0	(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>0</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>0</b>	<b>(587)</b>	<b>(21,891)</b>
Depreciation charge	(10,434)	(4,522)	(1,762)	(135)	0	0	0	(16,853)
Depreciation written out to the revaluation reserve	10,933	1,949	0	0	0	0	0	12,882
De-recognition – disposals	52	0	688	0	0	0	0	740
De-recognition – other	36	12	0	0	0	0	0	48
Assets reclassified to / (from) other categories of property, plant and equipment	(587)	0	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>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>0</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>0</b>	<b>14,843</b>	<b>795,643</b>

# Notes to the Main Financial Statements

## Financial year 2017/18

(£000s)	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment
<b>Cost or valuation</b>								
<b>At 1 April 2017</b>	<b>579,588</b>	<b>141,374</b>	<b>20,742</b>	<b>4,523</b>	<b>1,195</b>	<b>9,261</b>	<b>30,554</b>	<b>787,237</b>
Opening adjustment	0	192	0	0	0	0	0	192
Additions	6,403	1,189	2,193	262	18	0	17,831	27,896
Revaluation increases / (decreases) recognised in the revaluation reserve	19,184	3,110	0	0	0	0	(2,045)	20,249
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	6,605	(3,495)	0	0	0	0	0	3,110
De-recognition – disposals	(4,643)	0	0	0	0	0	0	(4,643)
De-recognition – other	(177)	(1,165)	6	0	0	0	(4,098)	(5,434)
Assets reclassified (to) / from investment properties	0	(463)	0	0	0	(1,225)	0	(1,688)
Assets reclassified (to) / from assets held for sale	(68)	(3,259)	(481)	0	0	0	(5,383)	(9,191)
Assets reclassified (to) / from intangibles	0	0	0	0	0	0	(192)	(192)
Assets reclassified (to) / from other categories of property, plant and equipment	21,411	7,164	196	371	131	(8,036)	(21,237)	0
Other movements	0	0	(2)	0	0	0	0	(2)
<b>At 31 March 2018</b>	<b>628,303</b>	<b>144,647</b>	<b>22,654</b>	<b>5,156</b>	<b>1,344</b>	<b>0</b>	<b>15,430</b>	<b>817,534</b>
<b>Accumulated depreciation and impairment</b>								
<b>At 1 April 2017</b>	<b>0</b>	<b>(3,009)</b>	<b>(12,519)</b>	<b>(675)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,203)</b>
Opening adjustment	0	(192)	0	0	0	0	0	(192)
Depreciation charge	(9,395)	(4,471)	(1,649)	(135)	0	(85)	0	(15,735)
Depreciation written out to the revaluation reserve	9,290	1,521	0	0	0	0	116	10,927
De-recognition – disposals	73	0	0	0	0	0	0	73
De-recognition – other	0	31	0	0	0	0	0	31
Impairments recognised in the surplus / deficit on the provision of services	0	(540)	0	0	0	0	(304)	(844)
Impairments recognised in the revaluation reserve	0	(162)	0	0	0	0	(283)	(445)
Assets reclassified to / (from) Investment Properties	0	25	0	0	0	0	0	25
Assets reclassified to / (from) assets held for sale	1	0	471	0	0	0	0	472
Assets reclassified to / (from) other categories of property, plant and equipment	31	0	0	0	0	85	(116)	0
<b>At 31 March 2018</b>	<b>0</b>	<b>(6,797)</b>	<b>(13,697)</b>	<b>(810)</b>	<b>0</b>	<b>0</b>	<b>(587)</b>	<b>(21,891)</b>
<b>Net book value</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>0</b>	<b>14,843</b>	<b>795,643</b>
<b>At 31 March 2017</b>	<b>579,588</b>	<b>138,365</b>	<b>8,223</b>	<b>3,848</b>	<b>1,195</b>	<b>9,261</b>	<b>30,554</b>	<b>771,034</b>



### 15 Property – Revaluations

The Council carries out a rolling programme that ensures that property, plant and equipment to be revalued are done so at least every five years.

Current year revaluations have been performed in accordance with the RICS Valuation – Professional Standards Global January 2017 including the International Valuation Standards and the RICS Valuation – Professional Standards UK (January 2014, as amended) and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

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 91.

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 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 have not been instructed to inspect the properties or read all the leases. For all the properties they undertook external inspections only and have relied on information provided by Cambridge City Council; the accuracy of the valuation depends on the accuracy of the information provided.

In accordance with the Valuation Standards, Bidwells confirms that it last valued the properties in 2018 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

## Notes to the Main Financial Statements

Council represented less than 5% of their turnover and they do not expect any material increase in these fees in 2019. 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.

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 2019	612,585	92,346	704,931
31 March 2018	0	1,116	1,116
31 March 2017	0	2,290	2,290
31 March 2016	0	39,092	39,092
31 March 2015	0	3,958	3,958
<b>Total valuation</b>	<b>612,585</b>	<b>138,802</b>	<b>751,387</b>

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

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

### 16 Property, Plant and Equipment – Depreciation

The majority of the Council's property, plant and equipment are council dwellings. Flats are assessed as having a remaining life of 43 years and houses 44 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)	2018/19	2017/18
<b>Opening Capital Financing Requirement</b>	<b>240,594</b>	<b>225,018</b>
<b>Capital expenditure</b>		
Property, plant and equipment	54,023	27,896
Investment properties	1,232	17,717
Intangible assets	130	0
<b>Capital expenditure charged to the Comprehensive Income and Expenditure Statement</b>		
Revenue Expenditure Funded from Capital and de-minimis capital expenditure	2,430	1,583
<b>Loans advanced</b>		
Cambridge Investment Partnership	31,850	0
Local investment bond	2,200	0
Private sector housing improvement loans	40	9
<b>Sources of finance</b>		
Capital receipts	(27,136)	(7,662)
Government grants and other contributions	(16,607)	(6,175)
Minimum Revenue Provision	(455)	(294)
Revenue and reserves	(12,915)	(17,498)
<b>Closing Capital Financing Requirement</b>	<b>275,386</b>	<b>240,594</b>

### 18 Capital Commitments

(£000s)	31 March 2019	31 March 2018
<b>Property, Plant and Equipment</b>		
Vehicle Asset Replacement Programme	149	173
HRA new build properties	22,564	3,123
Housing Capital Programme	1,807	284
Silver Street public toilet refurbishment	540	0
Financial Management System	0	50
Car parking control equipment at multi-storey car parks	0	561
Grand Arcade and Queen Anne Terrace car parks sprinkler system	0	272
Electric vehicle charge points	0	180
Grant for refurbishment of Memorial Hall and Church Hall in Cherry Hinton	0	150
Office Accommodation Strategy (OAS) projects	0	1,809
Footbridge across Hobson's Brook at Accordia Development	50	0
<b>Revenue Expenditure Funded from Capital Under Statute</b>		
Development land at Clay Farm	378	560
Community Development Grants Programme	153	265
Cambridge City 20 mph Zones Project	0	80
	<b>25,641</b>	<b>7,507</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)	2018/19	2017/18
Rental income from investment property	(10,444)	(9,941)
Direct operating expenses arising from investment property	460	523
<b>Net gain</b>	<b>(9,984)</b>	<b>(9,418)</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)	2018/19	2017/18
<b>Balance at start of the year</b>	<b>175,281</b>	<b>153,706</b>
<i>Additions:</i>		
Subsequent expenditure	2	82
Acquisitions	1,230	17,636
Unrealised gains/(losses) recognised in the financing and investment income line of the surplus / deficit on the provision of services from fair value adjustments	(7,701)	2,674
Disposals	(430)	(480)
<i>Transfers:</i>		
(To) / from property, plant and equipment	2,400	1,663
<b>Balance at the end of the year</b>	<b>170,782</b>	<b>175,281</b>
Acquisitions included above measured at historic cost	0	(11)
<b>Fair value at year-end</b>	<b>170,782</b>	<b>175,270</b>

## 20 Fair Value Measurement of Investment Properties

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

Investment properties are classified as level 3 within the value hierarchy as defined within 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 91.

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

## Notes to the Main Financial Statements

of Chartered Surveyors (RICS) Valuation – Professional Standards. Further details of Bidwells’ approach to the valuations can be found in note 15.

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

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 2019 (£'000)	Predominant valuation technique	Key unobservable inputs	Range
Central Cambridge shopping centres	27,090	Investment	NIY Yield	5.00% - 5.25%
Other retail	37,042	Investment	Market Rent (psf) Market Rent (psf ZA) EY Yield	£11 - £41 £18 - £250 5.30% - 14.90%
Offices	13,095	Investment	Market Rent (psf) EY Yield	£14 - £28 6.00% - 9.00%
Industrial	22,570	Investment	Market Rent (psf) EY Yield	£5.50 - £17 5.25% - 9.00%
Land	39,654	Investment / Comparable	Market Rent (per acre) NIY Yield EY Yield £/acre	£200 - £55,750 2.99% - 6.67% 4.60% - 10.00% £3,000 - £1,200,000
Other	31,331	Investment	Yield	3.50% - 14.00%
<b>Total</b>	<b>170,782</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 carrying value of investment properties held under finance leases at 31 March 2019 was nil (value as at 31 March 2018 was £2,485,000) as the previous finance lease has been surrendered and freehold retained without any secondary subsequent leases.

The Council leases in three car parks under long term peppercorn leases. The carrying value of these car parks included in property, plant and equipment was £36,235,000 as at 31 March 2019 (£37,400,000 at 31 March 2018).

#### Operating Leases

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

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

(£000s)	31 March 2019	31 March 2018
Not later than one year	50	75
Later than one year and not later than five years	50	100
	<b>100</b>	<b>175</b>

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

(£000s)	2018/19	2017/18
Minimum lease payments	75	254

### 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.

## Notes to the Main Financial Statements

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

(£000s)	31 March 2019	31 March 2018
Not later than one year	6,113	5,832
Later than one year and not later than five years	18,798	18,529
Later than five years	105,151	105,553
	<b>130,062</b>	<b>129,914</b>

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2018/2019, £2,300,000 of contingent rents were receivable by the Council (2017/18: £2,265,000).

### 22 Short Term and Long Term Investments

(£000s)	2018/19		2017/18	
	Long term	Short term	Long term	Short term
Investments in Icelandic banks and their UK subsidiaries	0	0	0	41
Loans to subsidiaries	7,500	0	7,500	0
Loans to joint ventures	31,850	0	0	0
Other investments	17,712	79,317	25,275	73,135
	<b>57,062</b>	<b>79,317</b>	<b>32,775</b>	<b>73,176</b>

### 23 Long Term Debtors

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

(£000s)	31 March 2019	31 March 2018
Mortgages	1	1
Lease premiums	181	188
Private sector housing improvement loans	821	794
Sale of land at Kings Hedges	30	30
Deferred property sale proceeds	2,705	2,705
Visit Cambridge and Beyond	0	90
Loan to Cambridge Investment Partnership LLP - deferred sale proceeds	0	4,667
Pension deficit contribution prepayment	0	3,030
Mortgage Repossessions Loans	7	7
	<b>3,745</b>	<b>11,512</b>

## Notes to the Main Financial Statements

### 24 Assets Held for Sale

(£000s)	Current	
	2018/19	2017/18
<b>Balance at 1 April</b>	<b>67</b>	<b>4,643</b>
Assets newly classified as held for sale: Property, plant and equipment	27,000	8,718
Assets sold	(27,067)	(11,137)
Impairment losses	0	(2,157)
<b>Balance at 31 March</b>	<b>0</b>	<b>67</b>

### 25 Short Term Debtors

(£000s)	31 March 2019	31 March 2018
Central government bodies	2,559	3,542
Other local authorities	6,434	5,048
Deferred capital receipts	1,158	4,645
Council tax payers (City share)	197	268
National non-domestic rate payers (City share)	356	771
Housing tenants and leaseholders	434	591
Trade and other	9,436	2,967
	<b>20,574</b>	<b>17,832</b>

### 26 Cash and Cash Equivalents

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

(£000s)	31 March 2019	31 March 2018
Cash held by the Council	10	9
Bank current accounts	(526)	(690)
Bank deposit accounts	2,177	7,429
Overnight Money Market Funds	6,000	1,500
	<b>7,661</b>	<b>8,248</b>

### 27 Short Term Creditors

(£000s)	31 March 2019	31 March 2018
Central government bodies	(16,106)	(8,824)
Other local authorities	(7,138)	(6,268)
Other entities and individuals	(5,893)	(7,781)
	<b>(29,137)</b>	<b>(22,873)</b>



## Notes to the Main Financial Statements

### 28 Receipts in Advance

(£000s)	31 March 2019	31 March 2018
Cambridge City Council share of council tax receipts in advance	(360)	(312)
Cambridge City Council share of non-domestic rates receipts in advance	(858)	(994)
Capital grants receipts in advance	(616)	0
Housing tenants and leaseholders	(657)	(702)
Other	(1,694)	(2,264)
	<b>(4,185)</b>	<b>(4,272)</b>

### 29 Provisions

#### Insurance Provision

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

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

#### Business Rates Appeals Provision

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in 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 2019 following successful rating valuation appeals. This estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. The timing of the settlement of these appeals is uncertain as they are outside of the Council's control.

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
<b>Balance at 1 April 2018</b>	<b>(354)</b>	<b>(4,104)</b>	<b>(9)</b>	<b>(4,467)</b>
Additional provisions made in 2018/19	(178)	(102)	0	(280)
Amounts used in 2018/19	82	157	0	239
Unused amounts reversed in 2018/19	63	0	0	63
<b>Balance as at 31 March 2019</b>	<b>(387)</b>	<b>(4,049)</b>	<b>(9)</b>	<b>(4,445)</b>

## Notes to the Main Financial Statements

### 30 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

(£000s)	2018/19	2017/18
<b>Credited to taxation and non-specific grant income</b>		
Revenue Support Grant	(571)	(1,104)
New Homes Bonus	(5,596)	(5,972)
New burdens and transitional grants	(76)	(99)
Syrian Resettlement Grant	(534)	(442)
Small Business Rate Relief Grant	(1,002)	(873)
Other business rate relief grants	(466)	(301)
Welfare reform grants	(109)	(112)
Local Authority EU Exit Grant	(17)	0
Capital grants and contributions	(21,682)	(7,359)
	<b>(30,053)</b>	<b>(16,262)</b>
<b>Credited to services</b>		
Discretionary Housing Payments	(224)	(244)
Rent Allowance and Rent Rebates Administration Subsidy	(346)	(369)
Rent Allowance Subsidy	(18,768)	(19,967)
Rent Rebates Subsidy	(16,963)	(17,459)
Non HRA Rent Rebates Subsidy	(386)	(413)
Other housing benefit grants	(126)	(89)
Flexible Homelessness Support	(477)	(283)
Preventing Homelessness	(317)	(191)
Other grants	(346)	0
	<b>(37,953)</b>	<b>(39,015)</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 balances at the year-end were as follows:

(£000s)	31 March 2019	31 March 2018
<b>Capital Grants Receipts in Advance</b>		
Due within 12 months	(616)	0
Due in more than 12 months	0	(6,208)
<b>Total</b>	<b>(616)</b>	<b>(6,208)</b>

### 31 Usable Reserves

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

## Notes to the Main Financial Statements

### 32 Unusable Reserves

(£000s)	31 March 2019	31 March 2018
Deferred Capital Receipts Reserve	(3,893)	(12,002)
Revaluation Reserve	(163,875)	(171,845)
Capital Adjustment Account	(556,990)	(567,975)
Financial Instruments Adjustment Account	75	87
Pensions Reserve	138,035	113,585
Collection Fund Adjustment Account	(1,609)	(287)
Available for Sale Reserve	0	(221)
Accumulated Absences Account	454	455
<b>Total unusable reserves</b>	<b>(587,803)</b>	<b>(638,203)</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)	2018/19	2017/18
<b>Balance at 1 April</b>	<b>(12,002)</b>	<b>(2,735)</b>
Deferred sale proceeds on disposal of non-current assets	0	(9,267)
Transfer to the Capital Receipts Reserve upon receipt of cash	8,109	0
<b>Balance at 31 March</b>	<b>(3,893)</b>	<b>(12,002)</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)	2018/19	2017/18
<b>Balance at 1 April</b>	<b>(171,845)</b>	<b>(148,645)</b>
Net (gains) / losses on revaluations during the year	3,160	(30,981)
Impairment charged to the revaluation reserve	0	162
<b>Amounts written off to the Capital Adjustment Account</b>		
Difference between fair value depreciation and historical cost depreciation	3,925	3,315
Accumulated gains on assets sold or scrapped	885	4,304
<b>Balance at 31 March</b>	<b>(163,875)</b>	<b>(171,845)</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.

## Notes to the Main Financial Statements

(£000s)	2018/19	2017/18
<b>Balance at 1 April</b>	<b>(567,975)</b>	<b>(564,950)</b>
Charges for depreciation and impairment of non-current assets	16,858	15,733
Amortisation of intangible assets	107	72
Revaluation losses/(gains) on property, plant and equipment	13,131	(3,108)
Revaluation losses on assets held for sale	0	2,158
Impairments on property, plant and equipment	0	844
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	7,701	(2,674)
Revenue Expenditure Funded from Capital Under Statute and de minimis capital spend	2,430	1,583
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	32,656	21,590
Repayment of private sector housing loans	25	25
Adjusting amounts written out of the Revaluation Reserve	(4,810)	(7,619)
Use of the Capital Receipts Reserve to finance new capital expenditure	(27,136)	(7,662)
Use of the Major Repairs Reserve to finance new capital expenditure	(7,601)	(7,111)
Application of grants and contributions to capital financing	(16,607)	(6,175)
Minimum revenue provision	(455)	(294)
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(5,314)	(10,387)
<b>Balance at 31 March</b>	<b>(556,990)</b>	<b>(567,975)</b>

### 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 is it directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further details on pension transactions are shown in note 35.

(£000s)	2018/19	2017/18
<b>Balance at 1 April</b>	<b>113,585</b>	<b>114,032</b>
Remeasurements of the net defined benefit liability	19,311	(5,454)
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	12,329	11,656
Employer's pension contributions and direct payments to pensioners payable in the year	(7,190)	(6,649)
<b>Balance at 31 March</b>	<b>138,035</b>	<b>113,585</b>

## Notes to the Main Financial Statements

### Collection Fund Adjustment Account

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

(£000s)	2018/19	2017/18
<b>Balance at 1 April</b>	<b>(287)</b>	<b>768</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	(7)	(23)
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	(1,315)	(1,032)
<b>Balance at 31 March</b>	<b>(1,609)</b>	<b>(287)</b>

### 33 Financial Instruments

#### Categories of Financial Instrument

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

(£000s)	31 March 2019		31 March 2018	
	Long term	Short term	Long term	Short term
<b>Financial Assets</b>				
<b>Investments</b>				
Fair value through profit and loss	15,462	9,993	15,225	9,994
Amortised cost	41,600	69,324	17,550	63,182
<b>Debtors</b>				
Fair value through profit and loss	3,526	0	8,166	0
Amortised cost	38	14,165	316	10,128
<b>Cash and cash equivalents</b>				
Amortised cost	0	7,661	0	8,248
<b>Total</b>	<b>60,626</b>	<b>101,143</b>	<b>41,257</b>	<b>91,552</b>
<b>Financial Liabilities (amortised cost)</b>				
Borrowing	(213,572)	(82)	(213,572)	(82)
Creditors	0	(11,402)	(6,208)	(13,291)
<b>Total</b>	<b>(213,572)</b>	<b>(11,484)</b>	<b>(219,780)</b>	<b>(13,373)</b>

## Notes to the Main Financial Statements

The council has adopted new classifications for financial assets with effect from 1 April 2018, in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The table below shows how the closing balances for 2017/18 translate into the new asset classifications.

Previous Classification (£000s)	Carrying amount brought forward at 1 April 2018	New Classification at 1 April 2018	
		Amortised Cost	Fair Value through Profit and Loss
<b>Investments</b>			
Loans and receivables	80,682	80,682	0
Available for sale	25,219	0	25,219
Unquoted equity investment at cost	50	50	0
<b>Debtors</b>			
Loans and receivables	11,238	10,444	794
Available for sale	7,372	0	7,372
<b>Total</b>	<b>124,561</b>	<b>91,176</b>	<b>33,385</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)	2018/19	2017/18
<b>Balance sheet carrying value as at 1 April</b>	<b>794</b>	<b>832</b>
Nominal value of new loans recognised in the year	40	9
Interest – increase in discounted amount	19	13
Loans repaid	(25)	(25)
Fair value adjustment	(7)	(35)
<b>Balance sheet carrying value as at 31 March</b>	<b>821</b>	<b>794</b>
<b>Loan payments outstanding (nominal value) at 31 March</b>	<b>895</b>	<b>880</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)	2018/19		2017/18	
	Surplus or deficit on the provision of services	Other comprehensive income and expenditure	Surplus or deficit on the provision of services	Other comprehensive income and expenditure
<b>Net (gains) / losses</b>				
Financial assets classified as:				
Fair value through profit and loss	(185)	0		
Amortised cost	381	0		
Loans and receivables			576	0
Available for sale			0	(672)
<b>Interest income</b>				
Financial assets classified as:				
Fair value through profit and loss	(744)	0		
Amortised cost	(1,110)	0		
Loans and receivables			(695)	0
Available for sale			(801)	0
<b>Interest expense</b>				
Financial liabilities classified as:				
Amortised cost	7,494	0	7,494	0
<b>Net (surplus) / deficit for the year</b>	<b>5,836</b>	<b>0</b>	<b>6,574</b>	<b>(672)</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 2019 (£000s)	31 March 2018 (£000s)
Units in CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	15,462	15,225
Enhanced Cash Funds	Level 1	Unadjusted quoted prices in active markets for identical units	9,993	9,994
Proceeds on disposal of assets	Level 2	Present value of sale proceeds	0	4,667
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	821	794
			<b>28,981</b>	<b>33,385</b>



## Notes to the Main Financial Statements

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.

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 estimated interest rate of 3% at 31 March 2019 (1.77% at 31 March 2018) has been used to estimate the fair value of the group loans to Cambridge City Housing Company and Cambridge Investment Partnership.
- ◆ An average interest rate at 31 March 2019 of 2.09% (Range 2.37% to 2.57% in 2017/18) 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 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
Current liabilities	(11,402)	(11,402)	(13,291)	(13,291)
Long term liabilities	0	0	(6,208)	(6,208)
Short term borrowing	(82)	(82)	(82)	(82)
Long term borrowing	(213,572)	(264,497)	(213,572)	(258,268)

## Notes to the Main Financial Statements

(£000s)	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets at amortised cost</b>				
Current debtors	14,165	14,165	10,128	10,128
Long term debtors	38	38	316	316
Current investments	69,324	69,324	63,182	63,172
Long term investments	41,600	41,600	17,550	17,553
Cash and cash equivalents	7,661	7,661	8,248	8,248

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.

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 2019 was estimated at £317,064,000 (31 March 2018: £310,679,000).

### 34 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

## Notes to the Main Financial Statements

amended, but only by full Council. During 2018/19 the Council made amendments to its investment strategy with changes in counterparty limits. A new facility was also approved with a £5 million limit on secured bonds with local businesses subject to due diligence and annual reviews.

### Credit risk

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

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

The table below summarises the treasury management limits in place as at 31 March 2019.

Counterparty	Limit
Government Debt Management Account Deposit Facility (DMADF)	Unlimited
UK Government Gilts, Treasury Bills and supranational bonds	£15m
Barclays Bank plc	£35m
Single named institution (nationalised banks, local authorities, Nationwide Building Society and UK domiciled banks excluding Santander)	£20m
UK banking group limit	£30m
Long term deposits (group limits):	
◆ Local authorities (up to 5 years)	£35m in total
◆ CCLA Local Authorities Property Fund (minimum 5 years)	£15m
Certificates of Deposit with UK banks (included within single counterparties limit)	£15m per counterparty
Certificates of Deposit with UK building societies and named foreign banks (included within single counterparties limit)	£2m per counterparty
Enhanced Money Market Funds (not below AAf)	£5m per fund
Money Market Funds (AAAf)	£15m per fund
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/V1)	£10m per fund
UK subsidiary of foreign bank (Santander UK)	£5m
Named foreign banks (Svenska Handelsbanken)	£5m
Building society (dependent on asset base and investment type)	£2m to £20m
Secured local bond in local businesses	£5m in total

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

## Notes to the Main Financial Statements

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 2019 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 2019</b>						
<b>United Kingdom</b>						
Banks	12,000	15,000	9,000	0	0	36,000
Building societies	0	0	0	0	0	0
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>

(£000s)	Maturity Band				Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	
<b>31 March 2018</b>					
<b>United Kingdom</b>					
Banks	26,000	7,000	0	0	33,000
Building societies	2,000	0	0	0	2,000
Local authorities	8,000	10,000	10,000	10,000	38,000
<b>Total</b>	<b>36,000</b>	<b>17,000</b>	<b>10,000</b>	<b>10,000</b>	<b>73,000</b>

In addition to the above, the Council has investments in financial assets held at fair value through profit and loss, as detailed in note 33, which do not have a defined maturity date.

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 2019		31 March 2018	
	Gross debt	Impairment allowance	Gross debt	Impairment allowance
Long term debtors	3,779	215	8,607	125
Current and former tenants	1,688	1,406	1,662	1,393
Other debtors	14,528	645	10,382	523
	<b>19,995</b>	<b>2,266</b>	<b>20,651</b>	<b>2,041</b>

## Notes to the Main Financial Statements

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 2019	31 March 2018
<b>Balance at 1 April</b>	<b>1,916</b>	<b>1,673</b>
Increase in allowance for impairment	381	416
Balances written off during the year	(246)	(173)
<b>Balance at 31 March</b>	<b>2,051</b>	<b>1,916</b>

At 31 March 2019, of the total debtor and deferred debtor balances of £20.0 million (£20.7 million at 31 March 2018), the past due amount was £2.7 million (£2.4 million at 31 March 2018) and can be analysed by age as follows:

(£000s)	31 March 2019	31 March 2018
<b>Customer Debts</b>		
Less than three months	726	540
Three to six months	202	176
Six months to one year	226	295
More than one year	1,520	1,434
<b>Balance at 31 March</b>	<b>2,674</b>	<b>2,445</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 2019	31 March 2018
<b>Impairment allowance by age of debt</b>		
Less than three months	299	200
Three to six months	114	93
Six months to one year	144	192
More than one year	1,494	1,431
<b>Balance at 31 March</b>	<b>2,051</b>	<b>1,916</b>

### 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.

# Notes to the Main Financial Statements

The maturity analysis of the loans is as follows:

(£000s)	31 March 2019	31 March 2018 Restated
Between 15 and 20 years	21,357	10,679
Between 20 and 25 years	53,393	53,393
Between 25 and 30 years	53,393	53,393
Between 30 and 35 years	53,393	53,393
Between 35 and 40 years	32,036	42,714
	<b>213,572</b>	<b>213,572</b>

Accrued interest due on the PWLB loans to 31 March 2019 was £82,000 (£82,000 in 2017/18).

## Market risk

### Interest rate risk

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

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

- ◆ Investments at variable rates – the interest income credited to the 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 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 2018/19, if interest rates on variable rate deposits had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £263,000 (£264,000 in 2017/18).

### 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 in note 33.

The Council has £15 million invested 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 gain of £237,000 in respect of the Local Authorities' Property Fund has been recognised in the surplus or deficit on the provision of services in 2018/2019 (2017/18: £690,000 gain).

## Notes to the Main Financial Statements

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This reflects general movements in the value of the fund over 2018/2019. A further movement in the bid price of 5% (positive or negative) would have resulted in a £773,000 gain or loss being recognised in 2018/2019 (2017/18: £761,000).

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

The Council also holds a number of Enhanced Cash Funds, shown in current investments, which are 'fair value through profit and loss' assets and a loss of £4,000 has been recognised in 2018/19 in respect of these assets (2017/18: £18,000 loss).

### **Foreign exchange risk**

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

## **35 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 2018/19 was the responsibility of the Cambridgeshire Pension Fund Committee and Investment Sub-Committee. Policy is determined in accordance with the pension fund regulations.

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

### **Transactions relating to post-employment benefits**

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

## Notes to the Main Financial Statements

(£000s)	Local Government Pension Scheme	
	2018/19	2017/18
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of services:</b>		
Current service cost	8,474	8,827
Past service cost (including curtailments)	707	(83)
Effect of business combinations	172	0
<b>Financing and investment income and expenditure:</b>		
Net interest cost	2,976	2,912
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>12,329</b>	<b>11,656</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)	(8,560)	839
Changes in financial assumptions	27,912	(6,365)
Other experience changes	(41)	72
<b>Total post-employment benefit charged to other comprehensive income and expenditure</b>	<b>19,311</b>	<b>(5,454)</b>
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>31,640</b>	<b>6,202</b>
<b>Movement in Reserves Statement</b>		
Charges made to the surplus or deficit on the provision of services	12,329	11,656
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(5,139)	(5,007)
<b>Actual charges to the General Fund and Housing Revenue Account – Employers’ contributions payable to the scheme</b>	<b>7,190</b>	<b>6,649</b>

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

(£000s)	2018/19	2017/18
Present value of the defined benefit obligation	(367,285)	(327,231)
Fair value of plan assets	229,250	213,646
<b>Net liability arising from defined benefit obligation</b>	<b>(138,035)</b>	<b>(113,585)</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 £138.0 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.



## Notes to the Main Financial Statements

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

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

(£000s)	2018/19	2017/18
<b>Opening balance at 1 April</b>	<b>(327,231)</b>	<b>(322,670)</b>
Current service cost	(8,474)	(8,827)
Past service cost	(707)	83
Effect of business combinations	(1,743)	0
Interest cost	(8,913)	(8,414)
Contributions by scheme participants	(1,511)	(1,525)
Benefits paid	8,888	7,548
Estimated unfunded benefits paid	277	281
Remeasurements – changes in financial assumptions	(27,912)	6,365
Remeasurements – other experience	41	(72)
<b>Closing balance at 31 March</b>	<b>(367,285)</b>	<b>(327,231)</b>

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

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

(£000s)	2018/19	2017/18
<b>Opening balance at 1 April</b>	<b>213,646</b>	<b>208,638</b>
Effects of business combination	1,571	0
Interest income on plan assets	5,937	5,502
Contributions by scheme participants	1,511	1,525
Employer contributions	6,913	6,368
Contributions in respect of unfunded benefits	277	281
Benefits paid	(8,888)	(7,548)
Unfunded benefits paid	(277)	(281)
Remeasurements – return on assets excluding amount in net interest expense	8,560	(839)
<b>Closing balance at 31 March</b>	<b>229,250</b>	<b>213,646</b>

## Notes to the Main Financial Statements

### Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets			
	2018/19		2017/18	
	Quoted prices in active markets	Quoted prices not in active markets	Quoted prices in active markets	Quoted prices not in active markets
Cash and cash equivalents	2,839	0	6,878	0
<b>Equity instruments:</b>				
Consumer	6,926	0	5,933	0
Manufacturing	4,126	0	3,836	0
Energy & utilities	4,814	0	4,598	0
Financial institutions	8,618	0	9,207	0
Health and care	1,387	0	2,266	0
Information technology	1,220	0	1,009	0
Debt securities	0	5,687	0	5,386
Private equity	0	17,357	0	19,817
<b>Investment funds and unit trusts:</b>				
Equities	0	128,424	0	118,318
Bonds	0	21,304	0	21,472
Infrastructure	0	9,542	0	0
Other	0	17,006	0	14,926
<b>Closing balance at 31 March</b>	<b>29,930</b>	<b>199,320</b>	<b>33,727</b>	<b>179,919</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	
	2018/19	2017/18
<b>Mortality Assumptions:</b>		
<i>Longevity at 65 for current pensioners</i>		
Men	22.4	22.4
Women	24.4	24.4
<i>Longevity at 65 for future pensioners</i>		
Men	24.0	24.0
Women	26.3	26.3
Rate of increase in salaries	2.80%	2.70%
Rate of increase in pensions	2.50%	2.40%
Rate for discounting scheme liabilities	2.40%	2.70%
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)	63.00%	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 of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all other factors remain constant. The assumptions in longevity for example assume that life expectancy increases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumption at 31 March 2019	Approximate % increase to employer liability	Approximate monetary amount (£000s)
0.5% decrease in the real discount rate	10%	38,459
0.5% increase in the salary increase rate	1%	5,278
0.5% increase in the pensions increase rate	9%	32,558

### 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 2022.

The Council paid a deficit repair contribution of £8,444,000 during 2017/18 to cover the 3 years until 31 March 2020. £3,030,000 was recognised in 2018/19 (£2,501,000 in 2017/18) with the remaining £2,913,000 being expected to be released in 2019/20.

## Notes to the Main Financial Statements

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

	Weighted average duration (years)
Active members	23.4
Deferred members	23.1
Pensioner members	11.2
<b>Weighted average total</b>	<b>18.4</b>

The weighted average duration 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. These durations are as they stood at the previous formal valuation as at 31 March 2019.

### 36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2018/19	2017/18
Interest received	811	780
Interest paid	(7,494)	(7,494)
Dividends received	664	702

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

(£000s)	2018/19	2017/18
Depreciation	16,853	15,733
Impairment and downward valuation	20,832	(106)
Amortisation	112	72
Increase in impairment for bad debts	489	125
Increase in creditors	2,979	1,406
Increase in debtors	(1,909)	(9,098)
Decrease in inventories	18	34
Movement in pension liability	5,139	5,007
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	32,656	21,590
Other non-cash items charged to the net surplus or deficit on the provision of services	(410)	(2,425)
	<b>76,759</b>	<b>32,338</b>

## Notes to the Main Financial Statements

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

(£000s)	2018/19	2017/18
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(34,906)	(26,301)
Any other items for which the cash effects are investing or financing cash flows	(21,682)	(7,359)
	<b>(56,588)</b>	<b>(33,660)</b>

### 37 Cash Flow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2018/19	2017/18
Purchase of property, plant and equipment, investment property and intangible assets	(56,055)	(45,178)
Purchase of short term and long term investments	(93,200)	(79,500)
Other payments for investing activities	(40)	(9)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,393	17,034
Proceeds from short term and long term investments	95,000	77,500
Other receipts from investing activities	14,248	4,448
	<b>(28,654)</b>	<b>(25,705)</b>

### 38 Cash Flow Statement – Financing Activities

(£000s)	2018/19	2017/18
Other receipts from financing activities	3,347	2,434
<b>Net cash flows from financing activities</b>	<b>3,347</b>	<b>2,434</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.

### 39 Reconciliation of Liabilities Arising from Financing Activities

(£000s)	1 April 2018	Financing cash flows	31 March 2019
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	(7,250)	(3,347)	(10,597)
<b>Total liabilities from financing activities</b>	<b>(220,904)</b>	<b>(3,347)</b>	<b>(224,251)</b>

### 40 Impact of the Adoption of New Accounting Standards on the Financial Statements – Effective for the 2018/19 Financial Year

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of new or amended standards within the 2019/20 Code. The standards adopted by the 2019/20 Code include:

- ◆ Amendments to IAS 40 Investment Property: transfers of investment property
- ◆ Annual Improvements to IFRS Standards 2014-2016 Cycle
- ◆ IFRIC 22 Foreign Currency Transactions and Advance Consideration
- ◆ IFRIC 23 Uncertainty over Income Tax Treatments
- ◆ Amendments to IFRS 9 Financial Instruments: prepayment features with negative compensation

These standards are adopted with effect from 1 April 2019, but are not anticipated to have a material impact on the Statement of Accounts.

### 41 Date the Statement of Accounts was Authorised for Issue

The audited accounts were authorised for issue by the Council's Section 151 officer on 9 July 2020. This is the date up to which events after the reporting period have been considered.

### 42 Events After the Reporting Period

As noted above the accounts were authorised for issue on 9 July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### **Cambridge Live**

All Cambridge Live services and operations transferred to the Council on 1 April 2019, and transactions relating to these operations will be included in the Council's Statement of Accounts from this date. Cambridge Live Ltd and Cambridge Live (Trading) Ltd are now dormant entities, and both companies will be closed following completion of the necessary administrative work.

#### **COVID-19**

On 23 March 2020, the Prime Minister announced that to limit the spread of coronavirus he would be requiring people to stay at home as much as possible and limiting travel to essential journeys only. This meant that many businesses became unable to continue operating, and many employees of these businesses were 'furloughed' on 80% of their salary paid for by central government. The financial and social consequences of this are not yet fully understood, however it is anticipated that the condition will exist for the short to medium-term future, and that it will have a significant impact upon the UK and global economy.

## Notes to the Main Financial Statements

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As this condition did not exist at 31 March 2019, this is a non-adjusting event, and therefore no adjustments have been made to the amounts reported in this Statement of Accounts. At this time, only a limited estimate of the financial effect on the Council can be made. However, it is likely that the situation will have a material impact on the Council's financial position in future years.

Following a review of the Balance Sheet as at 31 March 2019, the following areas have been identified where asset or liability values are likely to be impacted materially by COVID-19:

- ◆ Property, plant and equipment and investment property – It is likely that property assets held at current value and fair value will experience significant downwards revaluations. Valuations tend to be based upon the level of income generated by the property, either through rental income or provision of services (e.g. car park charges), and both of these are likely to be negatively impacted by the current situation.
- ◆ Pension fund liability – The value of the liability is highly sensitive to the actuarial assumptions used in its calculation, as set out at note 35. On 11 March 2020, the Bank of England lowered its base rate by 0.50% to 0.25%. The rate was then further reduced to 0.10% on 19 March 2020. Any corresponding decrease in the discount rate applied to the pension fund would result in a significant increase in the liability. Conversely, changes to mortality assumptions could result in a decrease in the liability.

At the present time, the level of uncertainty is such that it is not possible to reliably quantify the impact on the above areas, although it should be noted that any such impacts will be reversed out of the General Fund through the Movement in Reserves Statement under statutory requirements, therefore will not affect the Council's usable reserves position.

## Additional Financial Statements and Information

### Housing Revenue Account Income and Expenditure Account

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

(£000s)	Note	2018/19	2017/18
<b>Income</b>			
Dwelling rents	2	(36,984)	(36,716)
Non-dwelling rents		(757)	(782)
Charges for services and facilities		(3,304)	(3,274)
Contributions towards expenditure		(504)	(635)
Reimbursement of costs		(26)	(30)
<b>Total</b>		<b>(41,575)</b>	<b>(41,437)</b>
<b>Expenditure</b>			
Repairs and maintenance		9,769	8,104
Supervision and management		7,160	6,336
Rents, rates, taxes and other charges		207	280
Depreciation, impairment and reversal of revaluation losses on non-current assets		23,048	4,285
Increased provision for bad debts		173	312
<b>Total</b>		<b>40,357</b>	<b>19,317</b>
<b>Net expenditure</b>		<b>(1,218)</b>	<b>(22,120)</b>
HRA services share of Corporate and Democratic Core		294	354
<b>Net expenditure on HRA services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(924)</b>	<b>(21,766)</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		(3,254)	(3,181)
Other income		0	(26)
Impairment losses on assets held for sale		0	91
Interest payable on PWLB loans		7,494	7,494
Interest and investment income		(1,486)	(1,194)
Capital grants and contributions receivable		(13,921)	(1,270)
<b>(Surplus) / deficit for the year on HRA services</b>		<b>(12,091)</b>	<b>(19,852)</b>



## Additional Financial Statements and Information

### Statement of Movement on the Housing Revenue Account

(£000s)	Note	2018/19	2017/18
<b>(Surplus) / deficit for the year on the HRA Income and Expenditure Account</b>		<b>(12,091)</b>	<b>(19,852)</b>
<b>Adjustments between accounting basis and funding basis under statute</b>			
Gain on sale of non-current assets		3,254	3,181
Other capital adjustments		(199)	26
Impairment of losses on assets held for sale		0	(91)
Net revaluation (losses)/gains and impairment losses on property, plant and equipment		(12,377)	5,437
Capital contributions unapplied credited to the Comprehensive Income and Expenditure Statement		13,921	1,270
Movement in investment property value		155	151
Net charges made for retirement benefits made in accordance with IAS19	10	(2,061)	(1,764)
Employers contributions payable to the Cambridgeshire Pension Fund	10	1,569	1,386
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		(54)	12
Capital expenditure funded by the Housing Revenue Account	7	727	4,519
<b>Net (increase) / decrease before transfers to or from reserves</b>		<b>(7,156)</b>	<b>(5,725)</b>
Transfers to reserves		4,556	6,884
<b>Total movement on Housing Revenue Account for the year</b>		<b>(2,600)</b>	<b>1,159</b>
<b>Housing Revenue Account balance brought forward</b>		<b>(9,020)</b>	<b>(10,179)</b>
<b>Housing Revenue Account balance carried forward</b>		<b>(11,620)</b>	<b>(9,020)</b>

## Notes to the Housing Revenue Account

### 1 Introduction

The Local Government and Housing Act 1989 set the framework within which the HRA operates. The account is '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 2019, 1.6% of properties were vacant (1.8% at 31 March 2018).

The average rent payable in 2018/19 was £109.41 per week based on 48 payable rent weeks (£100.99 per week on a 52 week basis). The average rent payable in 2017/18 was £109.42 per week based on 48 payable rent weeks (£101.00 per week on a 52 week basis).

### 3 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2019	31 March 2018	2018/19	2017/18
Dwellings	612,585	628,303	10,434	9,332
Other land and buildings	9,667	9,190	139	148
Infrastructure	2,381	2,449	68	63
Vehicles, plant and equipment	182	152	25	25
Investment properties	5,667	5,511	0	63
Intangible assets	134	9	5	5
Non-current assets held for sale	0	67	0	0
Surplus assets	0	0	0	86
Assets under construction	12,263	10,461	0	0
	<b>642,879</b>	<b>656,142</b>	<b>10,671</b>	<b>9,722</b>

The value of council dwellings at 1 April 2018, based on vacant possession, was £1,653 million (1 April 2017: £1,525 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 £12.4 million have been charged to the Comprehensive Income and Expenditure Statement in 2018/19 (net revaluation loss reversals credited of £5.7 million in 2017/18). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

## Additional Financial Statements and Information

### 4 Loan Interest Charges

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

Under HRA self-financing 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 2018/19 (£7,494,000 in 2017/18).

### 5 Housing Stock

The Council was responsible for an average stock of 7,158 dwellings during the year. The stock as at 31 March 2019 was as follows:

	31 March 2019	31 March 2018
Houses & bungalows	3,533	3,541
Flats	3,041	3,051
Sheltered housing units	510	511
Shared ownership properties (whole property equivalent)	62	67
<b>Total</b>	<b>7,146</b>	<b>7,170</b>
The change in stock during the year can be summarised as follows:		
<b>Stock at 1 April</b>	<b>7,170</b>	<b>7,096</b>
Right to buy sales	(27)	(47)
Open market disposals	(2)	(1)
Net shared ownership changes	(5)	20
Acquisitions	2	23
New properties	9	108
Other changes	(1)	(1)
Demolitions	0	(28)
<b>Stock as at 31 March</b>	<b>7,146</b>	<b>7,170</b>

### 6 Rent Arrears

Rent arrears at 31 March 2019 were £1,688,000 (£1,652,000 at 31 March 2018) and as a proportion of gross rent income have increased from 4.14% in 2017/18 to 4.19% in 2018/19.

At 31 March 2019 a net provision for bad debt of £1,406,000 was held on the Balance Sheet (£1,393,000 at 31 March 2018).

## Additional Financial Statements and Information

### 7 Financing of Capital Expenditure

(£000s)	2018/19	2017/18
<b>Capital expenditure</b>		
Dwellings	6,194	6,403
Other land and buildings	11,451	0
Plant, vehicles and equipment	61	7
Infrastructure assets	0	194
Assets under construction	13,066	11,557
Intangible assets	130	0
Other adjustments	0	(7)
	<b>30,902</b>	<b>18,154</b>
<b>Financed by:</b>		
Capital receipts	8,654	4,798
Major repairs reserve	7,602	7,111
Revenue financing of capital	727	4,519
Capital contributions and grants	13,919	1,726
	<b>30,902</b>	<b>18,154</b>

### 8 Capital receipts within the HRA

(£000s)	2018/19	2017/18
Dwellings	7,851	12,680
Land	23	0
Total receipts	<b>7,874</b>	<b>12,680</b>
Payable to central government	(1,134)	(961)
Usable capital receipts	<b>6,740</b>	<b>11,719</b>

### 9 Major Repairs Reserve (MRR)

(£000s)	2018/19	2017/18
<b>Balance at 1 April</b>	<b>(8,154)</b>	<b>(5,549)</b>
Transfer to MRR during the year	(10,671)	(9,716)
HRA capital expenditure on housing charged to MRR	7,601	7,111
<b>Balance at 31 March</b>	<b>(11,224)</b>	<b>(8,154)</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	2018/19		2017/18	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates
Council tax	2	(74,395)		(69,310)	0
Non-domestic rates income			(109,978)	0	(104,341)
Contributions towards previous year's estimated Collection Fund deficit					
Central government		0	(533)	0	(944)
Cambridge City Council		(16)	(426)	(32)	(755)
Cambridgeshire County Council		(101)	(96)	(207)	(170)
Cambridgeshire Police & Crime Commissioner		(16)	0	(32)	0
Cambridgeshire Fire Authority		(5)	(10)	(12)	(19)
Transitional protection receipts		0	(308)	0	(21)
<b>Total income</b>		<b>(74,533)</b>	<b>(111,351)</b>	<b>(69,593)</b>	<b>(106,250)</b>
<b>Council tax expenditure</b>					
Cambridge City Council	4	8,243	0	7,839	0
Cambridgeshire County Council	4	53,728	0	49,971	0
Cambridgeshire Police & Crime Commissioner	4	8,543	0	7,839	0
Cambridgeshire Fire Authority	4	2,956	0	2,804	0
Impairment of council tax debts	5	1,004	0	931	0
<b>Non-domestic rates expenditure</b>					
Cambridge City Council		0	42,810	0	40,874
Cambridgeshire County Council		0	9,632	0	9,196
Cambridgeshire Fire Authority		0	1,070	0	1,022
Non-domestic rates due to central government		0	53,512	0	51,092
Transitional protection payments		0	0	0	0
Impairment of non-domestic rates debts	6	0	941	0	192
Provision for non-domestic rates appeals	6	0	(137)	0	1,068
Allowable costs of non-domestic rates collection		0	234	0	226
<b>Total expenditure</b>		<b>74,474</b>	<b>108,062</b>	<b>69,384</b>	<b>103,670</b>
<b>(Surplus) / deficit for the year</b>		<b>(59)</b>	<b>(3,289)</b>	<b>(209)</b>	<b>(2,580)</b>
<b>(Surplus) / deficit as at 1 April</b>		<b>19</b>	<b>(723)</b>	<b>228</b>	<b>1,857</b>
<b>(Surplus) / deficit as at 31 March</b>	7	<b>(40)</b>	<b>(4,012)</b>	<b>19</b>	<b>(723)</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 2019 was set at £1,709.06, made up as follows:

(£)	2018/19	2017/18
Cambridge City Council	191.75	186.75
Cambridgeshire County Council	1,249.83	1,190.43
Cambridgeshire Police & Crime Commissioner	198.72	186.75
Cambridgeshire Fire Authority	68.76	66.78
<b>Total</b>	<b>1,709.06</b>	<b>1,630.71</b>

The following table shows the calculation of the Council Tax Base for 2018/19 (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	4,142	2,920	6/9	1,947
B	10,195	8,358	7/9	6,501
C	19,410	16,993	8/9	15,105
D	9,849	8,521	9/9	8,521
E	5,650	4,853	11/9	5,931
F	3,619	3,162	13/9	4,567
G	3,121	2,611	15/9	4,352
H	482	297	18/9	594
<b>Total</b>	<b>56,468</b>	<b>47,715</b>		<b>47,518</b>
<b>Tax Base adjustments</b>				<b>(4,529)</b>
<b>Tax base for Council Tax Setting</b>				<b>42,989</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 £74.4 million in 2018/19 was receivable from the following sources:

(£000s)	2018/19	2017/18
Billed to council tax payers	74,359	69,272
Transfers (to) / from General Fund	36	38
<b>Total</b>	<b>74,395</b>	<b>69,310</b>

### 3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2019 was £299,159,267 (£294,561,174 at 31 March 2018) and the Uniform Business Rate in 2018/19 was set by the government at 49.3p (2017/18: 47.9p).

### 4 Council Tax Expenditure

(£000s)	2018/19			2017/18		
	Precepts and Demands	Distribution of previous year's surplus	Total	Precepts and Demands	Distribution of previous year's surplus	Total
Cambridge City Council	8,243	0	8,243	7,839	0	7,839
Cambridgeshire County Council	53,728	0	53,728	49,971	0	49,971
Cambridgeshire Police and Crime Commissioner	8,543	0	8,543	7,839	0	7,839
Cambridgeshire Fire Authority	2,956	0	2,956	2,803	0	2,803

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

A contribution of £1,004,000 (£931,000 in 2017/18) was made to a provision for bad and doubtful debts in 2018/19. This contribution is net of £17,000 of debts which were written back (2017/18, £5,000).

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

A contribution of £941,000 (£192,000 in 2017/18) was made to a provision for bad and doubtful debts in 2018/19. This contribution is net of £4,000 of debts which were written back (2017/18: £6,000).

A provision is held for appeals relating to rateable value reductions in respect of 2018/19 and prior years. At 31 March 2019 this provision is £10,122,000 (£10,259,000 at 31 March 2018).

### 7 Collection Fund Surpluses and Deficits

The surplus of £40,000 at 31 March 2019 (£19,000 deficit at 31 March 2018), which related to council tax, will be redistributed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total council tax raised.

## Additional Financial Statements and Information

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

(£000s)	31 March 2019	31 March 2018
Council Tax:		
Cambridge City Council	(4)	2
Cambridgeshire County Council	(29)	14
Cambridgeshire Police & Crime Commissioner	(5)	2
Cambridgeshire Fire Authority	(2)	1
<b>Total</b>	<b>(40)</b>	<b>19</b>

The surplus of £4,012,000 at 31 March 2019 (surplus of £723,000 at 31 March 2018) in respect of non-domestic rates 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 2019	31 March 2018
Non-domestic rates:		
Cambridge City Council	(1,605)	(289)
Cambridgeshire County Council	(361)	(65)
Cambridgeshire Fire Authority	(40)	(7)
Central government	(2,006)	(362)
<b>Total</b>	<b>(4,012)</b>	<b>(723)</b>



## Group Financial Statements for the year ended 31 March 2019

### 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 2018/19 (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 LLP
- ◆ 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.

Cambridge Investment Partnership LLP (CIP) was incorporated on 22 December 2016. CIP is a joint venture between the Council (50%) and Hill Investment Partnerships formed with the objective of redeveloping sites in Cambridge for housing, including the provision of affordable housing.

The structure of the partnership has been amended during the year and, at 31 March 2019, included three separate companies.

Cambridge Investment Partnership LLP, incorporated 30 November 2018, will provide management services to CIP operating companies as needed. This is a new company and replaces the organisation reported in the 2017/18 accounts. The financial statements for the year ended 31 March 2019 were a nil return.

Operating companies are being established for individual sites as they commence and details of the first two are given below.

# Group Financial Statements

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CIP (Mill Road Development) LLP, incorporated on 22 December 2016. This was formerly the Cambridge Investment Partnership LLP reported in the 2017/18 accounts. This company reported a loss of £500,000 in the year ended 31 March 2019 (£413,000 loss in 2017/18).

CIP (Cromwell Road) LLP was incorporated on 10 January 2019. The financial statements for the year ended 31 March 2019 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 has been managed by Council staff since 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 reverted to the Council with effect from 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, although it should be noted in the case of the Cambridge Live Group that only 6 months' of transactions have been consolidated into these Group Financial Statements, as explained above.

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 2018/19

(£000s)	Council (after the removal of intra-group transactions)					Council share of subsidiaries' and joint ventures' usable reserves	Total Group usable reserves	Council unusable reserves	Council share of subsidiaries' and joint ventures' unusable reserves	Total Group unusable reserves	Total Group reserves
	General Fund balance (including Earmarked Reserves)	Housing Revenue Account balance (including Earmarked Reserves)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied						
<b>Balance as at 1 April 2018</b>	(37,878)	(20,137)	(40,487)	(8,154)	(5,415)	85	(111,986)	(638,203)	(565)	(638,768)	(750,754)
<b>Movement in reserves during 2017/18</b>											
(Surplus) / deficit on the provision of services	8,099	(12,072)	0	0	0	225	(3,748)	0	0	0	(3,748)
Other comprehensive income and expenditure	0	0	0	0	0	565	565	22,471	(128)	22,343	22,908
<b>Total comprehensive income and expenditure</b>	<b>8,099</b>	<b>(12,072)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>790</b>	<b>(3,183)</b>	<b>22,471</b>	<b>(128)</b>	<b>22,343</b>	<b>19,160</b>
Adjustments between accounting basis and funding basis under regulations	(10,158)	4,935	(14,561)	(3,070)	(5,075)	0	(27,929)	27,929	0	27,929	0
<b>(Increase) / decrease in year</b>	<b>(2,059)</b>	<b>(7,137)</b>	<b>(14,561)</b>	<b>(3,070)</b>	<b>(5,075)</b>	<b>790</b>	<b>(31,112)</b>	<b>50,400</b>	<b>(128)</b>	<b>50,272</b>	<b>19,160</b>
<b>Balance as at 31 March 2019</b>	<b>(39,937)</b>	<b>(27,274)</b>	<b>(55,048)</b>	<b>(11,224)</b>	<b>(10,490)</b>	<b>875</b>	<b>(143,098)</b>	<b>(587,803)</b>	<b>(693)</b>	<b>(588,496)</b>	<b>(731,594)</b>

# Group Financial Statements

## Financial year 2017/18

(£000s)	Council (after the removal of intra-group transactions)					Council share of subsidiaries' and joint ventures' usable reserves	Total Group usable reserves	Council unusable reserves	Council share of subsidiaries' and joint ventures' unusable reserves	Total Group unusable reserves	Total Group reserves
	General Fund balance (including Earmarked Reserves)	Housing Revenue Account balance (including Earmarked Reserves)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied						
<b>Balance as at 1 April 2017</b>	(38,642)	(14,420)	(32,293)	(5,549)	(4,231)	67	(95,068)	(600,560)	0	(600,560)	(695,628)
<b>Movement in reserves during 2017/18</b>											
(Surplus) / deficit on the provision of services	2,210	(19,844)	0	0	0	18	(17,616)	0	0	0	(17,616)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	(36,945)	(565)	(37,510)	(37,510)
<b>Total comprehensive income and expenditure</b>	<b>2,210</b>	<b>(19,844)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>(17,616)</b>	<b>(36,945)</b>	<b>(565)</b>	<b>(37,510)</b>	<b>(55,126)</b>
Adjustments between accounting basis and funding basis under regulations	(1,446)	14,127	(8,194)	(2,605)	(1,184)	0	698	(698)	0	(698)	0
<b>(Increase) / decrease in year</b>	<b>764</b>	<b>(5,717)</b>	<b>(8,194)</b>	<b>(2,605)</b>	<b>(1,184)</b>	<b>18</b>	<b>(16,918)</b>	<b>(37,643)</b>	<b>(565)</b>	<b>(38,208)</b>	<b>(55,126)</b>
<b>Balance as at 31 March 2018</b>	<b>(37,878)</b>	<b>(20,137)</b>	<b>(40,487)</b>	<b>(8,154)</b>	<b>(5,415)</b>	<b>85</b>	<b>(111,986)</b>	<b>(638,203)</b>	<b>(565)</b>	<b>(638,768)</b>	<b>(750,754)</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)	2018/19			2017/18		
	Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Communities	12,541	(2,785)	9,756	12,230	(795)	11,435
Streets and Open Spaces	10,964	(3,081)	7,883	10,286	(2,937)	7,349
Environmental Services and City Centre	8,030	(3,528)	4,502	7,723	(2,680)	5,043
Planning, Policy and Transport	10,108	(11,932)	(1,824)	12,554	(12,845)	(291)
General Fund Housing	6,509	(2,080)	4,429	6,428	(1,643)	4,785
Housing Revenue Account	40,651	(41,556)	(905)	19,671	(41,429)	(21,758)
Finance and Resources	40,686	(37,804)	2,882	42,493	(39,736)	2,757
Strategy and Transformation	7,394	(83)	7,311	6,085	(856)	5,229
Other Group housing services	35	(295)	(260)	303	(285)	18
<b>Cost of services</b>	<b>136,918</b>	<b>(103,144)</b>	<b>33,774</b>	<b>117,773</b>	<b>(103,206)</b>	<b>14,567</b>
Other operating expenditure	1,134	(2,312)	(1,178)	3,119	(4,543)	(1,424)
Financing and investment income and expenditure	13,876	(6,563)	7,313	13,831	(15,841)	(2,010)
Taxation and non-specific grant income	0	(43,657)	(43,657)	0	(28,749)	(28,749)
<b>(Surplus) / deficit on the provision of services</b>	<b>151,928</b>	<b>(155,676)</b>	<b>(3,748)</b>	<b>134,723</b>	<b>(152,339)</b>	<b>(17,616)</b>
<i>Items that will not be reclassified to the (surplus) or deficit on the provision of services</i>						
(Surplus) / deficit on revaluation of non-current assets and impairment losses charged to revaluation reserve			3,032			(31,384)
Remeasurements of the net defined benefit liability			19,876			(5,454)
			<b>22,908</b>			<b>(36,838)</b>
<i>Items that may be reclassified to the (surplus) or deficit on the provision of services</i>						
(Surplus) or deficit on revaluation of available for sale financial assets			0			(672)
<b>Other comprehensive (income) / expenditure</b>			<b>22,908</b>			<b>(37,510)</b>
<b>Total comprehensive (income) / expenditure</b>			<b>19,160</b>			<b>(55,126)</b>

# 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	2018/19	2017/18
Property, plant and equipment	6	789,832	803,240
Heritage assets		669	669
Investment property		170,782	175,281
Intangible assets		336	318
Long term investments	8	49,562	25,275
Long term debtors		3,745	11,521
<b>Long term assets</b>		<b>1,014,926</b>	<b>1,016,304</b>
Short term investments	8	79,894	73,176
Assets held for sale		0	67
Inventories		151	151
Short term debtors		20,774	17,820
Cash and cash equivalents		9,837	8,316
<b>Current assets</b>		<b>110,656</b>	<b>99,530</b>
Short term borrowing		(82)	(82)
Short term creditors		(29,633)	(22,894)
Receipts in advance	9	(7,266)	(4,272)
Provisions		(4,445)	(4,467)
<b>Current liabilities</b>		<b>(41,426)</b>	<b>(31,715)</b>
Long term borrowing		(213,572)	(213,572)
Other long term liabilities		(138,895)	(113,585)
Receipts in advance		(95)	0
Capital grants receipts in advance		0	(6,208)
<b>Long term liabilities</b>		<b>(352,562)</b>	<b>(333,365)</b>
<b>Net assets</b>		<b>731,594</b>	<b>750,754</b>
Usable reserves		(143,098)	(111,986)
Unusable reserves		(588,496)	(638,768)
<b>Total R=reserves</b>		<b>(731,594)</b>	<b>(750,754)</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)	2018/19	2017/18
Net surplus or (deficit) on the provision of services	3,748	17,616
Adjustment to surplus or deficit on the provision of service for non-cash movements	78,304	32,482
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(56,588)	(33,660)
<b>Net cash flows from operating activities</b>	<b>25,464</b>	<b>16,438</b>
Net cash flows from investing activities	(27,290)	(25,705)
Net cash flows from financing activities	3,347	2,434
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,521</b>	<b>(6,833)</b>
Cash and cash equivalents at the beginning of the year	8,316	15,149
<b>Cash and cash equivalents at the end of the year</b>	<b>9,837</b>	<b>8,316</b>

# Notes to the Group Financial Statements

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## Index to the notes to the Group Financial Statements

1	Group Expenditure and Funding Analysis .....	76
2	Group Boundary .....	77
3	Basis of Consolidation .....	77
4	Business Activity of the Subsidiary and Joint Venture .....	78
5	Accounting Policies .....	78
6	Property, Plant and Equipment.....	79
7	Property – Revaluations .....	81
8	Short Term and Long Term Investments.....	81
9	Receipts in Advance .....	82



# Notes to the Group Financial Statements

## 1 Group Expenditure and Funding Analysis

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

(£000s)	2018/19					2017/18 (Restated)				
	Net amount chargeable to the General Fund, HRA, and share of subsidiaries' usable reserves	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, HRA, and share of subsidiaries' usable reserves	Adjustments for capital purposes	Net change for pensions adjustments	Other differences	Net expenditure in the Comprehensive Income and Expenditure Statement
Communities	6,544	2,757	455	0	9,756	5,652	5,372	411	0	11,435
Streets and Open Spaces	5,550	1,273	1,060	0	7,883	5,464	1,061	824	0	7,349
Environmental Services and City Centre	3,859	614	29	0	4,502	4,286	355	402	0	5,043
Planning, Policy and Transport	(3,380)	1,105	451	0	(1,824)	(2,342)	1,325	726	0	(291)
General Fund Housing	3,166	882	381	0	4,429	3,434	887	414	50	4,785
Housing Revenue Account	(13,973)	12,576	492	0	(905)	(16,700)	(5,436)	378	0	(21,758)
Finance and Resources	1,278	1,208	396	0	2,882	1,110	1,241	406	0	2,757
Strategy and Transformation	6,778	1,634	(1,101)	0	7,311	6,194	595	(1,561)	1	5,229
Other Group housing services	(260)	0	0	0	(260)	18	0	0	0	18
<b>Net cost of services</b>	<b>9,562</b>	<b>22,049</b>	<b>2,163</b>	<b>0</b>	<b>33,774</b>	<b>7,116</b>	<b>5,400</b>	<b>2,000</b>	<b>51</b>	<b>14,567</b>
Other income and expenditure	(18,533)	(20,851)	2,976	(1,114)	(37,522)	(12,051)	(22,069)	3,007	(1,070)	(32,183)
<b>(Surplus) / deficit for the year</b>	<b>(8,971)</b>	<b>1,198</b>	<b>5,139</b>	<b>(1,114)</b>	<b>(3,748)</b>	<b>(4,935)</b>	<b>(16,669)</b>	<b>5,007</b>	<b>(1,019)</b>	<b>(17,616)</b>
Other comprehensive expenditure charged to subsidiary usable reserves	565					0				
<b>Total movement in General Fund, HRA and share of subsidiary usable reserves</b>	<b>(8,406)</b>					<b>(4,935)</b>				
Opening General Fund, HRA and share of subsidiary usable reserves at 1 April	(57,930)					(52,995)				
<b>Closing General Fund, HRA and share of subsidiary usable reserves at 31 March</b>	<b>(66,336)</b>					<b>(57,930)</b>				

# Notes to the Group Financial Statements

Income and expenditure are analysed subjectively as follows:

(£000s)	2018/19	2017/18
Employee benefit expenses	37,164	36,700
Other service expenses	70,655	69,003
Depreciation, amortisation and impairment	30,833	15,977
Interest payments and investment income expenses	12,142	12,082
Payments to Housing Capital Receipts Pool	1,134	961
<b>Total expenditure</b>	<b>151,928</b>	<b>134,723</b>
Fees, charges and other service income	(65,339)	(64,294)
Interest and investment income	(4,637)	(13,959)
Income from council tax	(8,234)	(7,830)
Income from non-domestic rates	(5,370)	(4,655)
(Gain) or loss on the disposal of non-current assets	(2,312)	(4,543)
Government grants, contributions and donations	(69,784)	(57,058)
<b>Total income</b>	<b>(155,676)</b>	<b>(152,339)</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>(3,748)</b>	<b>(17,616)</b>

## 2 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.

CIP (Mill Road Development) LLP (formerly known as Cambridge Investment Partnership LLP as reported in the prior year Group Financial Statements) was incorporated on 22 December 2016. The Council contributed 50% of the equity, and the entity is a joint venture for accounting purposes.

During the year, a further two entities were set up under the CIP partnership arrangements, namely Cambridge Investment Partnership LLP (incorporated 30 November 2018) and CIP (Cromwell Road) LLP (incorporated 10 January 2019). The Council contributed 50% of the equity of each, and both will be treated as joint ventures for accounting purposes.

Cambridge Live is company limited by guarantee and was incorporated 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.

## 3 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.

## Notes to the Group Financial Statements

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The Council's share of CIP (Mill Road Development) LLP's post acquisition results is a loss of £457,000 (31 March 2018: £206,000). 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 2018: £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 2018: nil).

### **4 Business Activity of the Subsidiary and Joint Venture**

The objective of Cambridge City Housing Company is to provide and manage intermediate housing for rent for those in housing 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 entities is to bring forward sites for redevelopment and to provide housing, including affordable housing.

The objective of Cambridge Live is the advancement of art for the public benefit. It fulfils this objective through the delivering of an extensive events programme from a number of venues around Cambridge. Cambridge Live Trading Limited exists to support the work of Cambridge Live through the operation of commercial trading activities.

### **5 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 82 to 100.

# Notes to the Group Financial Statements

## 6 Property Plant and Equipment

### Financial year 2018/19

(£000s)	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & 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>0</b>	<b>15,430</b>	<b>825,131</b>
Additions	6,194	30,363	2,977	11	0	0	14,881	54,426
Revaluation increases / (decreases) recognised in the revaluation reserve	(15,885)	(134)	0	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	0	(13,006)
De-recognition – disposals	(3,098)	0	(688)	0	0	0	0	(3,786)
De-recognition – other	(1,543)	(451)	0	0	0	0	(167)	(2,161)
Assets reclassified (to) / from investment properties	0	(2,400)	0	0	0	0	0	(2,400)
Assets reclassified (to) / from assets held for sale	0	(27,000)	0	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)	0	(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>0</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>0</b>	<b>(587)</b>	<b>(21,891)</b>
Depreciation charge	(10,434)	(4,648)	(1,783)	(135)	0	0	0	(17,000)
Depreciation written out to the revaluation reserve	10,933	2,054	0	0	0	0	0	12,987
Impairment recognised in the surplus / deficit on the provision of services	0	(92)	(145)	0	0	0	0	(237)
De-recognition – disposals	52	0	688	0	0	0	0	740
De-recognition – other	36	12	0	0	0	0	0	48
Assets reclassified to / (from) other categories of property, plant and equipment	(587)	0	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>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>0</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>0</b>	<b>14,843</b>	<b>803,240</b>

# Notes to the Group Financial Statements

## Financial year 2017/18

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

# Notes to the Group Financial Statements

## 7 Property – Revaluations

Full details of the revaluation policy and approach adopted in respect of Council assets is set out in note 15 to the single entity accounts on page 27.

CCHC properties are subject to annual revaluation by external valuers as at 31 March each year. The RICS registered valuers were:

G Harbord MA MRICS IRRV (Hons) (Wilks Head and Eve)  
 M Aldis BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)  
 P Smith BSc (Hons) MRICS IRRV (Hons) (Wilks Head and Eve)

The basis of valuation is current value derived from existing use. Valuations are undertaken with reference to 'Stock Valuation for Resource Accounting Guidance 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 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.

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 2019	612,585	100,129	712,714
31 March 2018	0	1,116	1,116
31 March 2017	0	2,290	2,290
31 March 2016	0	39,092	39,092
31 March 2015	0	3,958	3,958
<b>Total Valuation</b>	<b>612,585</b>	<b>146,585</b>	<b>759,170</b>

## 8 Short Term and Long Term Investments

(£000s)	2018/19		2017/18	
	Long term	Short term	Long term	Short term
Investments in Icelandic banks and their UK subsidiaries	0	0	0	41
Loans to joint ventures	31,850	0	0	0
Other investments	17,712	79,894	25,275	73,135
	<b>49,562</b>	<b>79,894</b>	<b>25,275</b>	<b>73,176</b>

## Notes to the Group Financial Statements

### 9 Receipts in Advance

(£000s)	31 March 2019	31 March 2018
Cambridge City Council share of council tax receipts in advance	(360)	(312)
Cambridge City Council share of non-domestic rates receipts in advance	(858)	(994)
Capital grants receipts in advance	(616)	0
Housing tenants and leaseholders	(657)	(702)
Advance income from Cambridge Live events	(3,081)	0
Other	(1,694)	(2,264)
	<b>(7,266)</b>	<b>(4,272)</b>

## Statement of Accounting Policies

### 1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 (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 2019/20, 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 8 July 2020 the Council had around £36 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. To reflect this, the Council published an update to its Medium Term Financial Strategy in July 2020.

The net total impact of COVID-19 on the General Fund is currently estimated to be a reduction of £2.1 million, the vast majority of which is expected to crystallise within 2020/21.



# Statement of Accounting Policies

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This takes into account additional government support for COVID-19 announced up until 30 June 2020. On 2 July 2020, a further government support package for local authorities was announced which may mitigate some of the impact on the General Fund. However, at present the amount and timing of this support is uncertain, therefore this has not been taken into account within the Council's assessment above. By way of context, the General Fund balance as at 31 March 2019 was £15.8 million, and a further surplus of approximately £1.4 million has arisen during 2019/20 (based upon the latest available information, subject to year-end adjustments and audit). The Council's prudent minimum balance on the General Fund is £5.5 million.

It is therefore noted that there is significant headroom within the General Fund 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

# Statement of Accounting Policies

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investments that mature in less than three months from the date of acquisition and that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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

## 4 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or 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 2.4% (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.

# Statement of Accounting Policies

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## 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.

# Statement of Accounting Policies

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## 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>15</sup>.

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<sup>15</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>16</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>16</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.

# Statement of Accounting Policies

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## 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.

# Glossary of Financial Terms and Abbreviations

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## **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 2018/19. 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