

South Cambridgeshire Hall  
Cambourne Business Park  
Cambourne  
Cambridge  
CB23 6EA

t: 01954 713000  
f: 01954 713149  
[www.scambs.gov.uk](http://www.scambs.gov.uk)



14 February 2023

To: Chair – Councillor Michael Atkins  
Vice-Chair – Councillor Peter Sandford  
Members of the Audit and Corporate Governance Committee –  
Councillors Geoff Harvey, Mark Howell, Helene Leeming, Richard Stobart  
and Heather Williams

Quorum: 3

Dear Councillor

This is a supplement to the previously-published agenda for the meeting of **Audit and Corporate Governance Committee** on **Tuesday, 21 February 2023** containing those reports which had not been received by the original publication deadline.

Yours faithfully  
**Liz Watts**  
Chief Executive

Requests for a large print agenda must be received at least 48 hours before the meeting.

---

<b>Agenda</b>		<b>Pages</b>
<b>4.</b>	<b>Completion of Accounts for 2019/20</b>	<b>3 - 100</b>

This page is left blank intentionally.

# Agenda Item 4

APPENDIX "A"



## **South Cambridgeshire District Council Statement of Accounts 2019/20**

Please note that figures are rounded to the nearest thousand (where applicable) throughout the document and may not sum due to rounding 14/02/2023 V1.3

A3 sized printed copies, for the visually impaired, are available upon request from; [accountancy@scambs.gov.uk](mailto:accountancy@scambs.gov.uk)

# Contents

		Page
<b>Narrative Report</b>	by the Section 151 Officer	3/98
<b>The Statement of Responsibilities</b>	which explains the various responsibilities of the Council and the Section 151 Officer for the Statement of Accounts	9/98
<b>The Auditor's Report</b>	which sets out the Auditor's opinion on the Statement of Accounts	10/98
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	which brings together income and expenditure relating to all of the Council's activities	14/98
<b>Movement In Reserves Statement</b>	which is a summary of the increase/decrease in the net worth and resources available to the Council	15/98
<b>Balance Sheet</b>	which sets out the financial position of the Council as at 31 March 2020	16/98
<b>The Cash Flow Statement</b>	which summarises the movements in assets, liabilities and capital which have taken place during the period and the resultant effect on cash and cash equivalents	17/98
<b>The Notes to the Core Financial Statements</b>	detailed notes to all the previous Statements	18/98
<b>The Housing Revenue Account Income and Expenditure Statement</b>	which shows income and expenditure on the provision of council housing	59/98
<b>The Movement on Housing Revenue Account Statement</b>	which shows the differences between the income and expenditure and the movement on the Housing Revenue Account balance	60/98
<b>The Notes to the Housing Revenue Statement of Accounts</b>	detailed notes to the Housing Revenue Account Statements	61/98
<b>The Collection Fund and Notes</b>	which shows the income and expenditure transactions of the Council as a billing authority in relation to the collection and distribution of the Council Tax and Non Domestic Rates	65/98
<b>Group Accounts</b>	which shows the main statements and notes of the Group entity	68/98
<b>Annual Governance Statement</b>	which outlines the contents of the Local Code of Corporate Governance and the systems of internal control operating within the Council	75/98
<b>Glossary of Abbreviations and Financial Terms</b>		89/98

Further copies of this report are available from the Council's website, following the hyperlink below:  
[Historic log of annual Statement of Accounts](#)

# NARRATIVE REPORT

## 1. Introduction

This report has been compiled to provide a summary of the development and performance of the Council over the financial year, outline planned future developments in service delivery including revenue and capital investment plans and to provide assistance in understanding the financial statements and the Council's financial position.

## 2. Key Facts about South Cambridgeshire

South Cambridgeshire is a vibrant rural district at the heart of the rapidly growing East of England region. We are home to world-leading centres of science and technology such as Granta Park, the Babraham Institute and Genome Campus at Hinxton, to the Imperial War Museum at Duxford and some of England's oldest villages and newest and most exciting modern communities.

South Cambridgeshire is the second largest and most populous district in Cambridgeshire covering approximately 350 square miles of countryside, completely surrounding Cambridge City.

It is largely rural with most of the population of around 160,000 living in small, relatively isolated, outlying rural settlements, and with larger settlements situated on strategic routes into Cambridge such as Histon, Milton and Cambourne, and Cambridge Fringe developments such as Orchard Park and Trumpington Meadows. It is at the centre of a number of important corridors of growth; London-Stansted-Cambridge, Norwich-Cambridge and Oxford-Cambridge. Cambourne is the largest settlement, with approximately 12,000 residents, and construction at Northstowe and Waterbeach has begun, both of which will become significant towns in the district.

Overall, South Cambridgeshire is a prosperous area with high levels of economic activity and low levels of unemployment. The district forms part of the Cambridge Sub-Region. It is also a key location within the London-Stansted-Cambridge corridor and on the key Oxford to Cambridge Arc. The district is a key contributor to the growth that makes Greater Cambridge a major driver of UK economic prosperity, competing for inward investment on a global stage with areas such as Massachusetts, California, Europe and the Far East.

## 3. South Cambridgeshire District Council Business Plan 2019-2024

The Business Plan 2019-2024 is the document that sets out the Council's vision and strategic objectives, providing the context for the agreement of financial strategies and subsequent departmental budgets to deliver them. The Plan contains:

- Our Vision for the district;
- Four Strategic Objectives setting out how the Vision will be achieved, delivered through 20 key actions;
- What we will do to achieve each objective, and what success will look like;
- Key performance measures.

Our Strategic Objectives are as follows:

*Growing Local Businesses and Economies* - We will support businesses of all sizes, including rural enterprise and farming, to help create new jobs and opportunities near to where people live.

*Housing that is truly affordable for everyone to live in* - We will build vibrant communities in locations where people have good access to facilities and good transport links, so they can genuinely afford to live a happy and healthy life.

*Being Green to our Core* - We will create a cleaner, greener and zero-carbon future for our communities.

*A Modern and Caring Council* - We will provide our customers with high-quality services, strive to reduce costs, build on what we are good at to generate our own income, and make decisions in a transparent, open and inclusive way.

The Plan runs for a rolling five-year period and is refreshed annually. Performance against the previous plan objectives was reported quarterly to the Scrutiny and Overview Committee and Cabinet, including a review of financial performance and updates on the Council's Strategic Risk Register. The reports are available to view on the Council's website.

#### 4. Political and Management Structure

South Cambridgeshire District Council was represented by a total of 57 Councillors until May 2018. Following a boundary review the number reduced to 45. During 2019/20, the breakdown of councillors by political group was as follows:

Liberal Democrat	30
Conservative	11
Independent Group	2
Labour	2

The Council operates a Leader and Cabinet model of governance under which the Leader of the Council, elected by the whole Council to serve a four-year term of office, appoints a Cabinet of up to ten councillors, each of which are given a Portfolio to reflect a corporate priority. The Cabinet implements the strategic policy and budgetary framework agreed by all Councillors each February. It is held to account by the Scrutiny and Overview Committee which comprises of 14 members and met 12 times during the financial year.

The Council's Leadership Team is responsible for ensuring that the plans agreed by Council and Cabinet are delivered. At 31 March 2020, the Team consisted of the Chief Executive and Head of Paid Service (Liz Watts),

- Head of Finance, Section 151 Officer - Peter Maddock
- Director of Housing – Liz Bisset (interim)
- Director of Shared Planning (Joint with Cambridge City Council) – Stephen Kelly
- Head of Waste and Environment – Trevor Nicoll
- Head of HR and Corporate Services – Susan Gardner Craig

The Council's three statutory officers are as follows:

- Head of Paid Service - Liz Watts
- Head of Finance, Section 151 Officer - Peter Maddock
- Monitoring Officer – Rory McKenna

Further details about these arrangements, and how they operated during 2019/20, are set out in the Annual Governance Statement accompanying these Accounts.

## 5. Summary of Financial Performance

The financial year began with the setting of the budget in February 2019. The following sections describe the actual performance against this budget. The Council incurs both revenue and capital expenditure. The revenue account, known as the General Fund, bears the cost of providing day to day services. The capital account shows the net cost of transactions to buy or sell land, property or other assets, build new property, make improvements and provide grants or loans to other bodies to undertake this type of activity. The tables below show the outturn position and variances for the General Fund (services for the whole community) and the Housing Revenue Income and Expenditure Account (Council housing). The overall financial position of the Council is reflected in its Comprehensive Income & Expenditure Account and its Balance Sheet shown in these Accounts.

When the council tax for the financial year ending 31 March 2020 was set in February 2019, the surplus was estimated at £0.604m (Appropriation to General Fund Balance line). The actual was £0.317m a variance of £0.287m and the details of this are shown in the table below.

### General Fund Summary

	Budget 2019/20 £000s	Actuals 2019/20 £000s	Variance 2019/20 £000s	Variance 2019/20 %
<b>Net Expenditure</b>				
<b>Portfolio</b>				
Corporate Services	6,004	7,639	1,635	27.2%
Health & Env. Services	7,247	10,628	3,381	46.7%
Housing (GF)	1,561	2,736	1,175	75.3%
Planning	5,247	5,525	278	5.3%
Gr. Cambs. City Deal	742	876	134	18.1%
Unallocated	130	-	(130)	-
<b>Net Cost of Service</b>	<b>20,931</b>	<b>27,404</b>	<b>6,473</b>	<b>30.9%</b>
Efficiency reserves and precautionary	125	-	(125)	-100.0%
<b>Net Portfolio Exp.</b>	<b>21,056</b>	<b>27,404</b>	<b>6,348</b>	<b>30.1%</b>
Income from Inv's	(2,004)	(2,870)	(866)	43.2%
Precepts, Levies & Contr's	5,820	6,086	266	4.6%
Cost of borrowing to fund capital spend (int. payable)	9	52	43	482.3%
Depr. Rev and Other Adjs	(887)	(793)	94	-10.6%
Pension Interest Costs	0	(2,040)	(2,040)	-
<b>Net Operating Exp.</b>	<b>23,994</b>	<b>27,839</b>	<b>3,845</b>	<b>16.0%</b>
Cont. to/(from) GF balance	604	323	(282)	-46.6%
Cont. to/(from) Other Res.	(390)	1,410	1,800	-461.5%
New Homes Bonus	(2,473)	(2,473)	0	0.0%
<b>To be met from Grants and Local Tax</b>	<b>21,735</b>	<b>27,099</b>	<b>5,364</b>	<b>24.7%</b>
Council Tax	(14,711)	(14,847)	(136)	0.9%
Bus. Rates (inc S31)	(6,811)	(11,333)	(4,522)	66.4%
Other Govt Grants	(213)	(173)	40	-18.8%
<b>Taxation and Grants</b>	<b>(21,735)</b>	<b>(26,353)</b>	<b>(4,618)</b>	<b>21.2%</b>

### Housing Revenue Account

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, management and maintenance of Council houses and flats. Although this account is also included within the core financial statements it represents such a significant proportion of the services provided by the Council that it is a requirement that it has a separate account. The account has to be self-financing and there is a prohibition on cross subsidising to or from the council tax payer. The HRA statement and notes are included after the main statement notes.

<b>Housing Revenue Account</b>			
	<b>Budget</b>	<b>Outturn Variance</b>	
	<b>2019/20</b>	<b>2019/20</b>	<b>2019/20</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Dwelling Rents	(27,560)	(28,002)	(442)
Non-dwelling Rents	(403)	(422)	(19)
Service Charges	(1,603)	(1,917)	(314)
Other Income	(121)	(203)	(82)
<b>Total Income</b>	<b>(29,687)</b>	<b>(30,544)</b>	<b>(857)</b>
Repairs & Maintenance	4,151	4,211	60
Supervision & Management	6,938	6,722	(216)
Depreciation	6,663	6,545	(118)
Other Expenditure	472	335	(137)
<b>Total Expenditure</b>	<b>18,224</b>	<b>17,813</b>	<b>(411)</b>
	<b>(11,463)</b>	<b>(12,731)</b>	<b>(1,268)</b>
Interest Payable	7,179	7,185	6
Interest Receivable	(546)	(1,026)	(480)
Capital Expenditure from Revenue	12,622	12,370	(252)
	<b>19,255</b>	<b>18,529</b>	<b>(726)</b>
<b>Deficit/(Surplus) for year</b>	<b>7,791</b>	<b>5,798</b>	<b>(1,994)</b>

The table above shows the variances against the final 2019/20 budget for the HRA with an overall variance of £1.990m (under) reported.

\* Dwelling Rents - An increase in the rental income for the year due to the budget still containing the assumption that we might need to hold void properties pending sale, to meet the high value voids levy proposed by central government. This policy has now been withdrawn.

\* Interest Receivable - An increase in the interest received on cash balances due to the average interest rate achieved on investments being at 2.91% well above the 2% estimated.

\* Supervision & Management - The charge to the HRA for Corporate Management was reassessed and resulted in a lower charge than previously and now better reflects the actual cost to the HRA.

Overall the outturn position was a draw on the HRA reserves of £5.802m against a budget that assumed a £7.791m contribution from reserves. HRA reserves stood at £4.214m at 31 March 2020.

### Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £62.832m. The programme included £25.4m spent on investment property and £22.592m being invested through the HRA in the Council's own housing stock and new build initiatives.

### Treasury Management

At 31 March 2020, investments (including those classed as cash equivalents) totalled £104.145m. These investments produced interest of £2.87m, which was used towards the cost of services.

The Council has debt of £205.123m funding Housing Revenue Account assets.



### **Balances and Reserves**

The balances on the General Fund and the Housing Revenue Account were at £13.75m and £4.2m respectively as at 31 March 2020 (excluding earmarked reserves). This compares to the proposed minimum level of balances of £2.5m (General Fund) and £2.0m (Housing Revenue Account). These will be used to meet the cost of services in future years and to control any increases in council tax/rents.

Reserves available for capital expenditure stood at £12.5m, consisting of the usable capital receipts reserve and capital grants unapplied.

### **Current and Future Developments**

#### **Covid-19 Pandemic and Aftermath**

The Covid-19 pandemic and its aftermath are outlined in terms of impact upon the Council as a "going concern" in Section 1.21 of Accounting Policies.

#### **Council Tax**

Historically, the Council Tax set by the Council is substantially below the average charged by other shire districts as the Council used a proportion of its reserves to keep down the amount of Council Tax residents would have to pay. Without the use of reserves, the Council Tax would be at its higher, underlying level. The increasing gap between the actual and underlying council tax reflects the expectation that government grant will continue to decrease in future years and that the Council's expenditure demands will increase further than projected income, requiring the continuing use of reserves and/or additional savings or income generation; this assumption and others is monitored and reviewed in the Council's financial strategy on a regular basis.

#### **Reporting Cycle**

The General Fund and Housing Revenue Account budgets are presented to Cabinet and Council for approval every year, in February, and are published on the Council website.

During the year expenditure and income is monitored and significant variances reported to Cabinet. The Council's Forward Plan providing information on key reports is published on the Council's website

The Council regularly monitors performance against key performance indicators, this information and the Corporate Plan is available on the Council website.

#### **The Current Economic Climate and Other Significant Risks**

The Government's actions to reduce the fiscal deficit mainly by reducing public spending have resulted in substantial cuts for local government. The Council's medium term financial strategy is identified in its strategic risk register with an assessed risk of high impact / likely. The financial situation is dependent amongst other things on the continuation of New Homes Bonus and the redistribution of retained business rates.

The Homelessness Reduction Act has significantly increased duties owed by the Council, this added to increased costs to meet statutory obligations meaning Homelessness budget pressures are a considerable risk now and in the future. The Council is likely to see increased demand for the service and more in-depth support and assessment for those that do approach the Council.

#### **Affordable Housing**

Following on from the Housing Revenue Account self-financing debt settlement at the end of March 2012, the Council has embarked upon a new build development programme. In 2019/20 construction was completed on 36 new homes, with the new build programme continuing into 2020/21. No existing market homes were acquired in 2019/20 for letting as affordable housing by the authority.

### **Ermine Street Housing**

In November 2012 approval was given by Council to set up a subsidiary housing company, registered as South Cambs Ltd and trading as Ermine Street Housing with a principal activity being the management of both purchased and leased properties for the purpose of residential lettings.

Ermine Street Housing has a growing portfolio of both owned and leased market housing stock, with a year-end portfolio of 143 leased properties and 426 properties acquired for rental across Cambridgeshire, Suffolk, Northamptonshire, Leicestershire, Nottinghamshire and Leeds. Further additions are planned over the next year to achieve a portfolio of 500 owned properties. A full business case was reported to Council in the autumn of 2015. This has been updated annually since, with the latest being agreed in February 2020.

As an independent but wholly owned subsidiary and in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice; the Council has prepared group accounts to show the overall financial position and results of the District Council.

### **Greater Cambridge Partnership (formerly known as the Greater Cambridge City Deal)**

The Greater Cambridge Partnership (GCP) is a partnership of local councils, including South Cambridgeshire, business and academia to deliver the City Deal (an agreement with Central Government). The Partnership constitutes a 15-year plan to improve the infrastructure of the area, supporting economic growth and securing long-term prosperity and quality of life for the people of Cambridge and South Cambridgeshire. The other partners to the Partnership are Cambridge City Council, Cambridgeshire County Council, the GCGP Local Enterprise Partnership (now part of the Cambridgeshire and Peterborough Combined Authority) and Cambridge University.

A thriving and vibrant city region, Greater Cambridge has achieved rapid growth and economic success through world-leading innovation and collaboration between entrepreneurs and academics. It has the highest cluster of technology firms in the UK and competes on a global stage as a gateway for high-tech investment into the UK. However, this success and the area's appeal as an attractive place to live and work, has resulted in significant transport congestion, a shortage of housing and access to relevant skills. These issues have to be addressed to secure future economic growth and quality of life. Through the deal, the GCP has secured powers and funding from Central Government to make vital improvements to secure future economic growth and quality of life in the city region. The GCP aims to deliver over £1 billion of investment, thousands of new homes and jobs, and improved transport links. The 15-year plan focuses on four key issues: Transport, Housing, Skills and Innovation.

### **Cambridgeshire and Peterborough Combined Authority- Devolution**

The Cambridgeshire and Peterborough Combined Authority was formally constituted in March 2017, following a Devolution deal with government which is planned to unlock hundreds of millions of pounds of new funding for the county, including £100m for affordable homes. On 23rd May 2018 Councillor Bridget Smith was appointed Leader of the Council following the elections on May 3rd 2018, in succession to Councillor Topping who had previously represented the Council on the Combined Authority.

.....

**Peter Maddock**  
**Head of Finance, Section 151 Officer**  
**Date;**

# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority 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 Authority, that officer is the Head of Finance, Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

.....  
**Councillor Atkins**

**Chairman of the Audit and Corporate Governance Committee**

## Head of Finance, Section 151 Officer's Responsibilities

The Head of Finance, Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31 March 2020 and its income and expenditure for the year then ended.

.....  
**Peter Maddock**

**Head of Finance, Section 151 Officer**

# Auditor's Report

**Opinion on the Council's Financial Statements**

**Basis for the Opinion on the Financial Statements**

**Conclusions relating to Going Concern**

**Other Information**

**Conclusion on the Council's Arrangements for Securing Economy, Efficiency and Effectiveness in its Use of Resources**

**Basis for Conclusion on the Council's Arrangements for Securing Economy, Efficiency and Effectiveness in its Use of Resources**

**Matters on which we are Required to Report by Exception**

**Responsibilities of the Section 151 Officer and the Council**

**Auditor's Responsibilities for the Audit of the Financial Statements**

**Auditor's Responsibilities in Respect of the Council's Use of Resources**

## Certificate of Completion of the Audit

## Use of Our Report

**TBC**

**For and on behalf of Ernst & Young, Appointed Auditor  
Cambridge, UK**

**date;**

Ernst & Young LLP is a limited liability partnership registered in England and Wales  
(with registered number OC300001)

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing service in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils 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.

	Note	2019/20			2018/19		
		Gross Expenditure £000s	Income £000s	Net Expenditure £000s	Gross Expenditure £000s	Income £000s	Net Expenditure £000s
<b>Continuing Operations</b>							
Corporate Services		33,623	(25,984)	7,639	34,369	(29,143)	5,226
Health and Environment Services		19,730	(9,102)	10,628	15,343	(8,175)	7,168
Housing (General Fund)		5,309	(2,573)	2,736	3,724	(2,250)	1,474
Planning		10,764	(5,239)	5,525	8,654	(5,160)	3,494
Housing Revenue Account (HRA)		19,848	(30,766)	(10,918)	26,222	(30,097)	(3,875)
Greater Cambridgeshire City Deal		876	-	876	918	-	918
<b>Net Cost of Services</b>		<b>90,150</b>	<b>(73,664)</b>	<b>16,486</b>	<b>89,229</b>	<b>(74,824)</b>	<b>14,405</b>
Other Operating Expenditure and Income	9	6,560	(1,762)	4,798	6,339	(3,633)	2,706
Financing and Investment Income and Expenditure	10	9,767	(3,664)	6,103	8,769	(2,274)	6,494
Taxation and Non-Specific Grant Income	11	-	(27,004)	(27,004)	-	(28,073)	(28,073)
<b>Deficit/(Surplus) on Provision of Services</b>	<b>6</b>			<b>383</b>			<b>(4,468)</b>
(Surplus) / Deficit on Revaluation of Property Plant & Equipment	12/34			(29,019)			10,126
Actuarial (Gains) / Losses on Pension Assets / Liabilities	31			(17,555)			9,245
<b>Total Comprehensive Income and Expenditure</b>				<b>(46,191)</b>			<b>14,904</b>



## Movement in Reserves Statement

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

	Note	General Fund Balance £000s	Ear-marked Reserves (Gen. Fund) £000s	Housing Revenue Account £000s	Ear-marked Reserves (HRA) £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Un-applied £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Total Reserves £000s
<b>Movements in 2018/19</b>											
<b>Balance as at 1 April 2018</b>		(10,568)	(22,372)	(10,096)	(9,500)	-	(9,591)	(515)	(62,643)	(258,436)	(321,079)
(Surplus) on Provision of Services	CIES/HRA	(3,061)	-	(1,406)	-	-	-	-	(4,468)	-	(4,468)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	-	-	19,371	19,371
<b>Total Comprehensive Income and Expenditure</b>		<b>(3,061)</b>	<b>-</b>	<b>(1,406)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,468)</b>	<b>19,371</b>	<b>14,904</b>
Adjustment Between Accounting and Funding Basis Under Regulations	7	(5,715)	-	1,490	-	-	(1,461)	(143)	(5,828)	5,829	-
<b>Net (Increase) / Decrease before Transfer to Earmarked Reserves</b>		<b>(8,776)</b>	<b>-</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>(1,461)</b>	<b>(143)</b>	<b>(10,296)</b>	<b>25,200</b>	<b>14,904</b>
Transfer to Earmarked Reserves	8	5,911	(5,911)	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>		<b>(2,865)</b>	<b>(5,911)</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>(1,461)</b>	<b>(143)</b>	<b>(10,296)</b>	<b>25,200</b>	<b>14,904</b>
<b>Balance as at 31 March 2019</b>	<b>B/S</b>	<b>(13,435)</b>	<b>(28,283)</b>	<b>(10,012)</b>	<b>(9,500)</b>	<b>-</b>	<b>(11,052)</b>	<b>(658)</b>	<b>(72,940)</b>	<b>(233,235)</b>	<b>(306,175)</b>
<b>Movements in 2019/20</b>											
<b>Balance as at 1 April 2019</b>		(13,435)	(28,283)	(10,012)	(9,500)	-	(11,052)	(658)	(72,940)	(233,236)	(306,175)
Deficit / (Surplus) on Provision of Services	CIES/HRA	7,492	-	(7,109)	-	-	-	-	383	-	383
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	-	-	(46,574)	(46,574)
<b>Total Comprehensive Income and Expenditure</b>		<b>7,492</b>	<b>-</b>	<b>(7,109)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383</b>	<b>(46,574)</b>	<b>(46,191)</b>
Adjustment Between Accounting and Funding Basis Under Regulations	7	(9,224)	-	12,907	-	(807)	(779)	(20)	2,077	(2,077)	-
<b>Net (Increase) / Decrease before Transfer to Earmarked Reserves</b>		<b>(1,733)</b>	<b>-</b>	<b>5,799</b>	<b>-</b>	<b>(807)</b>	<b>(779)</b>	<b>(20)</b>	<b>2,460</b>	<b>(48,651)</b>	<b>(46,191)</b>
Transfer to Earmarked Reserves	8	1,410	(1,410)	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>		<b>(323)</b>	<b>(1,410)</b>	<b>5,799</b>	<b>-</b>	<b>(807)</b>	<b>(779)</b>	<b>(20)</b>	<b>2,460</b>	<b>(48,651)</b>	<b>(46,191)</b>
<b>Balance as at 31 March 2020</b>	<b>B/S</b>	<b>(13,758)</b>	<b>(29,693)</b>	<b>(4,214)</b>	<b>(9,500)</b>	<b>(807)</b>	<b>(11,831)</b>	<b>(678)</b>	<b>(70,480)</b>	<b>(281,887)</b>	<b>(352,366)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.

	Note	31 March 2020		31 March 2019	
		£000s	£000s	£000s	£000s
<b>Long Term Assets</b>					
Property, Plant and Equipment	12a	549,195		508,795	
Investment Properties	12b	24,600		-	
Intangible Assets	35	535		482	
Long Term Investments	13	74,676		9,970	
Long Term Debtors	14	747		970	
<b>Total Long Term Assets</b>			<b>649,753</b>		<b>520,217</b>
<b>Current Assets</b>					
Short Term Temporary Investments	13	10,108		81,473	
Inventories	-	290		163	
Debtors and Prepayments	16	6,055		10,191	
Cash and Cash Equivalents	17	19,360		7,250	
Assets Held for Sale	34	-		2,123	
			<b>35,813</b>		<b>101,200</b>
<b>Current Liabilities</b>					
Short Term Creditors	18	(49,901)		(31,407)	
Revenue Grants- Receipts in Advance	18	(2,400)		-	
Short Term Borrowing	15	(10,000)		(3,000)	
Cash and Cash Equivalents	17	(1,301)		(1,402)	
Provisions	19	(7,122)		(3,761)	
			<b>(70,724)</b>		<b>(39,570)</b>
<b>Long Term Liabilities</b>					
Pensions Liability	31	(57,352)		(70,548)	
Long Term Loans	13	(205,123)		(205,123)	
			<b>(262,475)</b>		<b>(275,671)</b>
<b>Total Assets Less Liabilities</b>			<b>352,367</b>		<b>306,175</b>
<b>Usable Reserves</b>					
Usable Reserves	MiRS	70,480		72,940	
Unusable Reserves	MiRS/20	281,887		233,235	
<b>Total Reserves</b>			<b>352,367</b>		<b>306,175</b>

These financial statements replace the unaudited financial statements confirmed by the Head of Finance on 28/07/2022

Signed.....  
Peter Maddock  
Head of Finance as Chief Financial Officer

Date 22 February 2023

# The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Note	2019/20 £000s	2018/19 £000s
Net (Deficit)/Surplus on Provision of Services	CIES	(383)	4,468
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	48,887	26,182
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	12,105	(4,440)
<b>Net cash flows from Operating Activities</b>		<b>60,609</b>	<b>26,210</b>
Investing Activities	22	(29,866)	(24,725)
Financing Activities	23	(18,532)	(2,100)
<b>Net Increase or (Decrease) in cash and cash equivalents</b>		<b>12,211</b>	<b>(615)</b>
Cash and Cash Equivalents at the beginning of the reporting period	17	5,848	6,461
<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>17</b>	<b>18,059</b>	<b>5,848</b>

## Index of Notes to the Statement of Accounts

<b>Note</b>		<b>Page</b>
1	Accounting Policies	19 / 98
2	Accounting Standards that have been issued but not yet adopted	32 / 98
3	Critical judgements in applying Accounting Policies	32 / 98
4	Assumptions made about the future and Other Major Sources of estimation / uncertainty	32 / 98
5	Events after the Balance Sheet Date	33 / 98
6	Expenditure and Funding Analysis	34 / 98
7	Adj. between Accounting Basis and Funding Basis under Regs	35 / 98
8	Movements in Earmarked Reserves	36 / 98
9	Other Operating Expenditure	37 / 98
10	Financing and Investment Income and Expenditure	37 / 98
11	Taxation and Non-Specific Grant Income	37 / 98
12a	Property, Plant and Equipment	38 / 98
12b	Investment Properties	39 / 98
13	Investments and Borrowing	40 / 98
14	Long Term Debtors	40 / 98
15	Financial Instruments	41 / 98
16	Short term Debtors and Payments in Advance	42 / 98
17	Cash and Cash Equivalents	42 / 98
18	Short term Creditors and Receipts in Advance	43 / 98
19	Provisions	43 / 98
20	Unusable Reserves	44 / 98
21	Cashflow Statement - Operating Activities	47 / 98
22	Cashflow Statement - Investing Activities	48 / 98
23	Cashflow Statement - Financing Activities	48 / 98
24	Member Allowances	49 / 98
25	Officer Remuneration	49 / 98
26	External Audit Fees	51 / 98
27	Grant and Contributions	51 / 98
28	Related Party Declarations	51 / 98
29	Capital Expenditure and Capital Financing	53 / 98
30	Leases	53 / 98
31	Pensions	53 / 98
32	Nature and Extent of Risks Arising from Financial Instruments	56 / 98
33	Capital Contracts	58 / 98
34	Assets Held for Sale	58 / 98
35	Intangible Assets	58 / 98
36	Contingencies	58 / 98

## 1. Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the relevant financial year and its position at the Balance Sheet date of 31 March. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (2019/20) and the Service Reporting Code of Practice (2019/20) supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- Accrual of income and expenditure – placing items in the year in which the liability is incurred

The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.

The Covid-19 pandemic and its aftermath are outlined in terms of impact upon the Council as a "going concern" in Section 1.21 of Accounting Policies.

#### Exceptional items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### 1.2. Accruals of Income and Expenditure

The accounts of the Council are maintained on an accruals basis, that is, sums due to the Council for goods/services provided or due from the Council for goods/services received during the year are included as income or expenditure whether or not the cash has actually been received or paid in the year. Any differences between the actual amounts and accrued amounts will be reflected in the accounts of the following year.

Exceptions to this principle relate, for example, to quarterly payments where payments are charged in the year rather than apportioning charges between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts. Grants payable to other organisations are included in the accounts on a payment basis.

Where income and expenditure has been recognised in the accounts but cash has not been received or paid, a debtor or creditor is recorded in the balance sheet. The Council has adopted a policy of a £5,000 de-minimus level on all manual accruals (debtors and creditors) from and including 2019/20.

### 1.3 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. They include deposits in constant Net Asset Value money market funds that are available for withdrawal with 24 hours' notice. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

#### **1.4 Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the asset 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 losses can be written off
- amortisation of intangible assets attributable to the service.

Any depreciation, revaluation and impairment losses and amortisation charged to the relevant accounts is reversed out in the movement in reserves statement and transferred to the capital adjustment account so that these charges are not met by council tax or rents.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of self-financing. The Authority is required to charge the Housing Revenue Account a notional amount of depreciation; calculated in a similar way to the major repairs allowance. The notional depreciation charge is reserved to fund similar major repairs and improvements works. The transition period continued until 2017-18, with a full depreciation charge equivalent to the whole capital adjustment transfer being charged to the Housing Revenue Account from then onwards.

The Authority is required to charge an annual provision to revenue as a contribution towards reducing its overall borrowing requirement. This provision, known as the Minimum Revenue Provision (MRP), is an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. No minimum revenue provision is currently charged on the debt acquired in relation to Housing Revenue Account self-financing as this is outside the scope of the MRP regime.

#### **1.5 Council Tax and Non Domestic Rates**

The Council as a billing authority acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of Cambridgeshire County Council and Cambridgeshire and Peterborough Police and Crime Commissioner (i.e. the major preceptors which also includes central government for NDR) and as principal, it collects council tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (known as the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

##### **Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

#### **1.6 Exceptional Items**

Any material exceptional items are included within the cost of the relevant individual service or, if a degree of prominence is necessary in order to give a fair presentation of the accounts, separately identified on the face of the comprehensive income and expenditure account. Details of any such exceptional items are given in the explanatory notes. For further explanation please see Note 37 on page 56.

## 1.7 Events After the Reporting Period

Events after the balance sheet date 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. There are two types of events:

- for 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.
- for 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.

## 1.8 Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the financing and investment section of the Income and Expenditure Account for interest are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that discounts estimated future cash payments over the life of the instrument to the fair value at which it was originally recognised.

The only financial liabilities for this Council are trade payables of short duration, measured at original or estimated invoice amount, and long term borrowing which is shown in the balance sheet as the outstanding principal repayable with interest charged to the comprehensive income and expenditure account being the amount payable for the year in accordance with 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 or settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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 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.

### 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 characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL),
- fair value through other comprehensive income (FVOCI)

The authority'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).

The financial assets applicable to this Council are Investments and Debtors which have the defining characteristics of fixed and determinable payments and are not quoted in an active market and, equity shares in the Local Capital Finance Company (Municipal Bond Agency) with no quoted market prices.



### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 section of the comprehensive income and expenditure account for interest 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 owed to the Council, the amount shown in the balance sheet is the outstanding principal or invoice amount receivable and interest credited to the comprehensive income and expenditure account is the amount receivable for the year in the loan agreement.

### Expected Credit Loss Model

IFRS 9 requires the authority to recognise the impairment of Trade Receivables (Debtors) held at amortised cost on the amount of Lifetime Expected Credit Losses using the simplified approach. Impairment losses are calculated to reflect the expectation that there is a likelihood arising based on past events experience that cash received will be lower than the carrying amount for receivables. Known uncollectable debts have been written off. Allowances are typically estimated on a percentage basis, with the older the outstanding debt the higher the percentage of the debt that is provided for. All allowances are reviewed and recalculated at the end of the accounting period. Allowances are generally netted off against short term debtors on the Balance Sheet.

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 authority 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 arrive 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.

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 and 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.

## 1.9 Government Grants and Contributions

Government grants and other contributions and donations are recognised as due to the Authority when there is a reasonable assurance that:

- the Authority will comply with the conditions attached to the payment, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the comprehensive income and expenditure statement until such conditions (as distinct from a restriction) attached 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, i.e. if the grant or contribution is not used as intended, then it has to be repaid.



Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified. The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation).

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or to the taxation and non-specific grant income section (non-ring-fenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

When the conditions of a grant have been met and it has been reflected as income in the comprehensive income and expenditure statement, the Council still has discretion to carry the grant income forward through an earmarked reserve if it deems this appropriate. This could arise in cases where there is no condition on the timescale in which the grant can be spent, but it has not been spent at the year-end.

In relation to capital grants or contributions recognised as income in the comprehensive income and expenditure statement, where the expenditure has not been incurred at the balance sheet date, the grant recognised as income is transferred to the Usable Reserve (Capital Grants Unapplied Account) representing capital resources not yet utilised.

Where capital grants are credited to the comprehensive income and expenditure statement, they are

- to the capital grants unapplied reserve if the grant has yet to be used to finance capital expenditure
- to the capital adjustment account if the grant has been used to finance capital expenditure

Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account when they are applied to fund capital expenditure.

## 1.10 Employee Benefits

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 or HRA Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Termination benefits are charged to the appropriate service line in the Comprehensive Income and Expenditure Account when the council can demonstrate that it is committed to either terminating the employment of an officer or has made an offer of voluntary redundancy even if the officer has not left the council by 31 March.

### Post-Employment Benefits (Pensions)

Post-employment benefits are employee benefits (other than termination and short-term benefits) that are payable after the completion of employment.

Employees of the Authority are eligible to be members of the Local Government Pension Scheme, administered by Cambridgeshire County Council, which is accounted for as a defined benefit Scheme whereby:

- The Authority's share of the liabilities of the pension fund are included in the balance sheet on an actuarial basis using the projected unit cost method, that is, 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 earnings for current employees;
- these liabilities are then discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds;
- the Authority's share of the assets of the pension fund are included in the balance sheet at their fair value being:

Quoted securities	current bid price
Unquoted securities	professional estimate
Unlisted securities	current bid price
Property	market value;

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

- current service cost being the increase in liabilities as a result of years of service earned in the current year where the cost is allocated in the comprehensive income and expenditure statement to the services for which the employees worked;
- past service cost being the increase or decrease in liabilities arising from decisions in the current year affecting liabilities incurred in past years where the cost is charged or credited to non-distributed costs in the comprehensive income and expenditure account;
- net interest on the net defined benefit liability (asset), that is, the net interest expense for the authority being the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged where the cost is charged to financing and investment income and expenditure in the comprehensive income and expenditure statement;
- expected return on assets being expected annual investment return on the fund assets, excluding amounts included in net interest on the defined benefit liability (asset), based on the average of the expected long term returns where the return is credited to the financing and investment section of the comprehensive income and expenditure account;
- gains or losses on settlements, being the result of actions to relieve the Authority of liabilities, and curtailments, being events that reduce the expected future service or accrual of benefits of employees, where the gain or losses are credited or charged to non-distributed costs in the comprehensive income and expenditure account;

- actuarial gains and losses being changes in the net pensions liability that arises because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions where the gains and losses are credited or charged to the pensions reserve; and
- contributions paid to the pension fund in the year being the payments made by the Authority as employer, that is, cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.

The charges and credits to the comprehensive income and expenditure account mentioned above are reversed out in the movement in reserves statement to the pensions reserve and replaced with the contributions paid.

The negative balance on the pensions reserve in the balance sheet measures the future liability in respect of benefits due to members of the fund.

Employees of the Council are members of the Local Government Pensions Scheme (LGPS), administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

- The liabilities of the LGPS 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 protected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary).

#### **Discretionary Benefits**

The Authority also has powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any employee are accrued in the year of the decision to make the award.

### **1.11 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. 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. Contingent rents are charged as expenses in the periods 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 financing charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

### **Operating Leases**

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

## **The Council as Lessor**

### **Finance Leases**

Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal whilst an appropriate debtor balance is created to reflect the amount owed.

### **Operating Leases**

Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

## **1.12 Overheads and Support Services**

The costs of overheads and support services are charges to those services which benefit from the provision of the overheads and support services in accordance with the costing principles in the Service Reporting Code of Practice. The full cost of overheads and support services are charged out to users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation, and
- Non-distributed costs include pension costs, relating to past service costs and gains and losses on settlements and curtailments, and any depreciation and impairment are reversed out in the movement in reserves statement.

These two categories were defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, these are now reported in line with the management reporting structure of the Council in accordance with the Expenditure and Funding Analysis in the revised Code of Practice.

## **1.13 Intangible Assets**

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## 1.14 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 asset will flow to the Authority and the cost of the asset can be measured reliably. Expenditure that maintains but does not add to the 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.

### Measurement

Assets are initially measured at cost, comprising the purchase price and 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 the Authority.

Assets are then carried in the balance sheet using the following measurement bases:

- Infrastructure, community assets- historical cost
- Assets under construction- historical cost
- Dwellings- fair value, determined using the basis of existing use value for social housing
- Investment property- fair value
- Assets held for sale- current value
- Non-commercial assets held for sale- lower of carrying amount and fair value less costs to sell
- Non-property assets that have short useful lives and/or low values- depreciated historical cost basis is used as a proxy for fair value, and
- All other assets- fair value, which for this purpose is interpreted as being met by provision of a market value figure which will reflect all potential uses.

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. Assets included in the balance sheet at fair value and market values are revalued sufficiently regularly (at least every five years) to ensure that their carrying amount is not materially different from their fair value at the year-end. Valuations are undertaken by a professionally qualified valuer and also carry out a material change review at year end to ensure revaluations are kept up to date. Revaluations also take place when there has been a significant change to the asset (e.g. major building works).

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 loss previously charged to a service.

Decreases in valuations are accounted for by writing down the balance (if any) of revaluation gains in the revaluation reserve for that asset and then charging any remaining decrease in value to the relevant service in the comprehensive income and expenditure statement.

The revaluation reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

### Impairment

Assets are assessed at the end of each year 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.

Impairment losses are accounted for by writing down the balance (if any) of revaluation gains in the revaluation reserve for that asset and then charging any remaining impairment to the relevant service in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service 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.

### **Depreciation**

Depreciation is provided on all property, plant and equipment calculated on a straight-line allocation over their useful lives. An exception is made for assets without a determinable finite useful life, i.e. freehold land and certain community assets, if any, and assets that are not yet available for use, i.e. assets under construction, if any.

The residual value of an item of property, plant and equipment and its useful life are reviewed at the end of each financial year and, if expectations differ from previous reviews or there has been a significant change in the consumption of economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Where property, plant and equipment assets have major components whose cost is significant in relation to the total cost of the asset, depreciation on the components has been calculated and is not materially different from depreciation on the depreciable part of the whole asset. Components have not, therefore, been depreciated separately.

Revaluation gains are also depreciated by an amount equal to the difference between the current value depreciation charges on the assets and the historic cost depreciation charges on the assets, with this difference being transferred each year from the revaluation reserve to the capital adjustment account.

### **Componentisation**

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts are grouped together in determining the depreciation charge.

The Council has determined that dwellings and other property is subject to componentisation and are assessed against two components determined by the Council's valuer, namely land and buildings, components within buildings being assessed annually for materiality.

### **Disposal and Non-Current Assets Held for Sale**

An asset is reclassified as an asset held for sale when it becomes probable that the carrying amount of the asset will be recovered principally through a sale transaction. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any subsequent decrease to fair value less costs to sell is posted to the other operating expenditure section in the comprehensive income and expenditure account but any gains in fair value are only recognised up to the amount of any previously recognised losses. Depreciation is not charged on assets held for sale.

Assets no longer meeting the criteria to be classified as assets held for sale 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.

When an asset is disposed of, the carrying amount of the asset in the balance sheet is written off and any receipts on disposal are credited to the other operating expenditure section in the comprehensive income and expenditure account so that this section shows the net gain or loss on the disposal of non-current assets. The net gain or loss is then reversed out in the movement in reserves statement with the carrying amount transferred to the capital adjustment account and the receipts on disposal credited to the capital receipts reserve so that the net gain or loss is not met by council tax or rents.

Any revaluation gains in the revaluation reserve in respect of the asset 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 capital receipts relating to housing disposals (net of statutory deductions and allowances) is payable to Central Government and shown in the other operating expenditure section in the comprehensive income and expenditure.

### **1.15 Investment Property**

Investment properties are those held solely to earn rental income or for capital appreciation or both. They are initially valued at cost but are not depreciated, they are revalued every year and held on the balance sheet at fair value. The income from rentals is posted to the Comprehensive Income and Expenditure Statement within the financing and investment income and expenditure line and is income to the general fund, also any revaluation gain or loss is posted to the same line but then reversed out via the Movement in Reserves Statement to the Capital Adjustment Account to avoid this charge being made against the general fund balance. The Council currently hold three such assets.

### **1.16 Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation in the future that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service in the comprehensive income and expenditure statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties. Any payments eventually made are charged against the provision, provisions are reviewed at the end of each financial year and any reduction in the need for the provision is credited back to the relevant service.

#### **Contingent Liabilities**

Contingent liabilities arise where events have taken place which give the Authority possible obligations whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise where a provision would otherwise be made but either it is not probable that a settlement 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**

Contingent assets arise where events have taken place which gives the Authority possible assets whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. 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.

## **Developers' Contributions**

Developers' contributions are monies received from developers under Section 106 of the Town and Country Planning Act 1990 for future expenditure on affordable housing, drainage, community costs and development etc. Any unused balances of these contributions at the Balance Sheet date are shown as receipts in advance under creditors until such time as the terms and conditions of receipt have been fully satisfied.

## **1.17 Reserves**

The Council has set aside certain revenue and capital amounts as earmarked reserves for future policy purposes or to cover contingencies. All other fund balances represent working balances for the purpose of the specific fund and are made up of accumulated surpluses and deficits derived over a period of time. All earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

Reserves are created by transferring 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 unusable reserves and are kept to manage the accounting processes for non current assets, financial instruments, local taxation, retirement and employee benefits are explained in the relevant policies.

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

Expenditure which is incurred during the year and which 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. Such expenditure which is met from capital resources or from borrowing is then transferred out in the movement in reserves statement from the General Fund balance to the Capital adjustment account then reverses out the charge so that there is no impact on the council tax.

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

VAT is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from Income.

## **1.20 Group Accounts**

The boundary for Group Accounts is determined by the extent of the Council's control or influence over an entity, and the materiality of the relationship to users of the Council's accounts.

A subsidiary is an entity which the Council controls through the power to govern its financial and operational activities, so as to obtain benefits from the entity. Control is deemed to exist where the Council owns more than half of the entity.

An associate is an entity where the Council has significant influence over decision making, but stopping short of control. It is normally presumed that significant influence exists where the Council owns 20% or more of the entity.

A jointly controlled entity exists where the Council is party to the contractually and binding agreed shared control of an organisation, where strategic financial and operating decisions require unanimous consent of the parties sharing control.

Group accounts have been prepared for South Cambs Ltd (trading as Ermine Street Housing) and Shire Homes Lettings Limited, both wholly owned subsidiaries of South Cambridgeshire District Council. Investments in the subsidiary companies are recognised in the Balance Sheet as unquoted equity investments at cost.



Private sector organisations adopted IFRS16- Leases on 1st April 2019 with retrospective application for 2018/19 as comparator. However, the formal adoption of this standard in the public sector has been delayed until 1st April 2024. As such there is a difference in accounting policies for both 2019/20 and 2018/19 as comparator between South Cambridge District Council (parent) and its subsidiaries (SC Ltd and Shire Home's). The Code mandates that where differing accounting policies exist within group boundaries that the parent's accounting policies must be applied to the subsidiaries and consolidated. However, the Code outlines that where these adjustments are consider immaterial, they can be over ridden. SCDC consider the IFRS16 implications included in 2019/20 SCLtd and Shire Homes statement of accounts immaterial to the group. It has therefore not amended 2018/19's group figures, so the 2018/19 comparator excludes all IFRS16 subsidiary changes. Whereas 2019/20's group figures includes IFRS16 figures from subsidiaries only.

The IFRS16 figures applicable to SCLtd and Shire Homes are outlined below by year and type. These are considered immaterial and accounted for in this document as specified above.

	2018/19		2019/20	
	SCLtd £000s	Shire Homes £000s	SCLtd £000s	Shire Homes £000s
PPE	337	294	347	335
ST Creditors	(304)	(134)	(347)	(341)
LT Creditors	(291)	(204)	(205)	(271)

### 1.21 Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. The Covid-19 restrictions created significant issues for many businesses and residents and as a result from April 2020, Council income was initially affected detrimentally as payers sought to defer payments or were unable to pay at all. Things did improve during the second half of the financial year. The government provided support in a number of ways:-

- a) Financial support in the form of grant funding for additional costs incurred as a result of the pandemic and an income compensation scheme to provide some replacement funding for that lost due to the pandemic.
- b) Additional grants to fund specific new burdens that fell on the Council.
- c) Deferral of central government payments relating to the Business Rates central share.

#### Balances held by the Council

Date	General Fund	Housing	Earmarked
31/03/2020	11.9m	3.6m	40.7m
31/03/2021	11.7m	3.1m	54.1m

These balances remain above our minimum thresholds as set by our Head of Finance and Section 151 Officer.

An assessment of the impact of Covid-19 on our finances was carried out during 2020/21. Government funding of £2.2m was provided in 2020/21 and 2021/22 to fund additional costs incurred as a result and this has proved to be sufficient. Income losses were not as pronounced as originally feared and some compensation was provided to meet these losses in part, overall the loss was such that we have been able to manage this within our budgets. With the additional funding provided we are satisfied that there is no material uncertainty relating to going concern.

## 2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

## 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1 (accounting policies), the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events, this includes a degree of uncertainty about the levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision or through changes to arrangements for service provision.

## 4. 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 the revenues and expenses during the year. However, the nature of estimation means that 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:

<b>Change in assumption</b>	<b>2018/19 Inc. in Liability (£m)</b>	<b>2019/20 Inc. in Liability (£m)</b>
<i>0.5% decrease in real discount rate</i>	18.49	16.15
<i>0.5% increase in salary increase rate</i>	2.41	1.42
<i>0.5% increase in pension increase rate</i>	15.79	14.61

### Pensions Liability

The main item in the Council's balance sheet as at 31 March for which there is a significant risk of material adjustment is the estimation of the pension liability by a consulting Actuary engaged by the pension fund administrator, Cambridgeshire County Council.

The estimation is over several decades where a small change in one of the assumptions can have a large effect on the liability and the Actuary has provided the following sensitivity analysis.

### Fair Value Measurement

When the fair value of assets and liabilities cannot be measured based on quoted prices in an active market (Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observation 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 Authority's assets and liabilities.

Where Level 1 input is not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

The most significant assets that the Authority has measured at fair value in the Balance Sheet where Level 1 inputs are not available are Investment Properties (Group Accounts) and Surplus Property, Plant and Equipment. Significant changes in any of the unobservable inputs in these valuations would result in significantly higher/lower fair value measurements.

Information about the valuation techniques and inputs used in determining the fair value of the Authority's assets and liabilities can be found in Notes 12, 15 and 20.

### **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 increased and the carrying value of the asset will decrease. The largest category of assets is Council dwellings and it is estimated that the annual depreciation charge for these would increase by approximately £600,000+ for every year that useful lives had to be reduced.

### **Investment Properties**

The Council agreed an investment strategy during 2018/19 and the first three properties were purchased during 2019/20. The intention of the purchase is to benefit from the income stream generated to support service provision, as a result the properties meet the definition of an investment property. Rental income and changes in valuation fall within the heading financing and investment income and expenditure in the single entity Comprehensive Income and Expenditure Statement and the year end valuations in the single entity Balance Sheet and Note 12b.

### **Asset Valuations (Covid 19)**

The pandemic caused by the outbreak of COVID-19 has impacted global financial markets and as a result less weight can be attached to previous market evidence to inform opinions of value. The current response to COVID-19 means there is an unprecedented set of circumstances on which to base a judgement. Valuations for PPE and Investment Properties are therefore reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy.

## **5. Events After Balance Sheet Date**

The Statement of Accounts were authorised for issue by the Section 151 Officer (Peter Maddock) on 22 February 2023. 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 as at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for any events which took place after 31 March 2020 to issue / certification date. There were no events within that period that would be relevant to an understanding of the authority's financial position.

#### **Covid-19 Pandemic**

During the last quarter of 2019/20 the Covid-19 pandemic resulted in the imposition of lockdown in many countries, although for the UK, the strictest measures did not come until 23 March. The 2019/20 impact on the Council's finance was relatively small. The financial impact is expected to be significant for 2020/21

#### **Russia/Ukraine War**

on 24th February 2021, Russia invaded Ukraine and the war is still going on. There is no financial impact on the 2019/20 accounts.

## 6. Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis

The Expenditure and Funding Analysis is complementary to the Movement in Reserves Statement and Comprehensive Income and Expenditure Account. The overall purpose of the Expenditure and Funding Analysis is to analyse the amounts reported in the Comprehensive Income and Expenditure Account as operating reporting segment outturn totals across specific types of Reserves.

2018/19				2019/20			
Net Expenditure Chargeable to General Fund and HRA Balances £000s	Adjustments between the funding and accounting basis Capital £000s	Adjustments between the funding and accounting basis Other £000s	Net Expenditure in the Comp. Income and Expenditure Statement £000s	Net Expenditure Chargeable to General Fund and HRA Balances £000s	Adjustments between the funding and accounting basis Capital £000s	Adjustments between the funding and accounting basis Other £000s	Net Expenditure in the Comp. Income and Expenditure Statement £000s
(5,041)	7,106	3,162	<b>5,226</b> Corporate Services	6,275	768	596	<b>7,639</b>
6,463	704	-	<b>7,168</b> Health and Environment Services	9,000	772	856	<b>10,628</b>
1,158	316	-	<b>1,474</b> Housing (General Fund)	1,415	372	205	<b>1,992</b>
3,493	-	-	<b>3,494</b> Planning	4,909	-	617	<b>5,526</b>
166	(4,502)	462	<b>(3,875)</b> Housing Revenue Account (HRA)	614	(12,123)	591	<b>(10,918)</b>
918	-	-	<b>918</b> Greater Cambridgeshire City Deal	876	-	-	<b>876</b>
<b>7,156</b>	<b>3,625</b>	<b>3,624</b>	<b>14,405</b> Net Cost of Service	<b>23,089</b>	<b>(10,211)</b>	<b>2,865</b>	<b>15,744</b>
(15,848)	(4,009)	985	<b>(18,873)</b> Operating, Financing, Taxation and Grant Income and Expenditure	(20,572)	192	4,275	(16,105)
<b>(8,692)</b>	<b>(385)</b>	<b>4,609</b>	<b>(4,468)</b> CIES (Surplus) / Deficit on provision of services	<b>2,517</b>	<b>(10,020)</b>	<b>7,140</b>	<b>(362)</b>
-	10,126	9,245	<b>19,371</b> Other Income and Expenditure	-	(30,395)	(17,555)	(47,950)
<b>(8,692)</b>	<b>9,742</b>	<b>13,854</b>	<b>14,904</b> Total Comprehensive Income and Expenditure	<b>2,517</b>	<b>(40,415)</b>	<b>(10,415)</b>	<b>(48,312)</b>

### Expenditure and Income Analysed by Nature

2018/19 Total (Sur.)/ Def. £000s	Subjective Analysis	2019/20 GF, HRA and Earmarked £000s	2019/20 Charges to Non-GF Res. £000s	2019/20 Total (Sur.) / Def. £000s
26,329	<b>Expenditure</b>			
46,851	* Employee Expenses (including Benefits)	26,597	2,743	29,340
	* Other Service Expenses	59,762	(13,302)	46,460
	* Depreciation, Amortisation and Impairment	0	11,417	11,417
16,048	Interest Payments	7,237	-	7,237
7,193	Precepts and Levies	6,086	-	6,086
5,816	Pension Interest costs and expected return on assets	1,728	-	1,728
1,576	Payment to Housing Capital Receipts Pool	-	474	474
523				
<b>104,336</b>	<b>Total Expenditure</b>	<b>101,410</b>	<b>1,332</b>	<b>102,742</b>
	<b>Income</b>			
(47,014)	* Fees, Charges and Other Service	(45,770)	-	(45,770)
(27,810)	* Government Grants/Contributions	(24,137)	(20)	(24,157)
(3,633)	Gain on the disposal of assets	132	(1,894)	(1,762)
(6,955)	Government Grants/Contributions	(5,226)	(959)	(6,185)
(2,274)	Interest and Investment Income	(2,870)	-	(2,870)
-	Net income in relation to inv. prop. and changes in fair value	(794)	-	(794)
(14,173)	Income From Council Tax	(14,793)	(54)	(14,847)
(6,946)	Business Rates Income and Expenditure	(8,808)	2,835	(5,973)
<b>(108,804)</b>	<b>Total Income</b>	<b>(102,266)</b>	<b>(92)</b>	<b>(102,358)</b>
<b>(4,468)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(856)</b>	<b>1,240</b>	<b>383</b>

KEY: \* Net Cost of Service (NCoS)

383

## 7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves					Movement in Unusable Reserves
	Gen. Fund	Hou. Rev. Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Un-applied	
	£000s	£000s	£000s	£000s	£000s	£000s
<b>2019/20</b>						
<b>Adjustments Involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,430	5,092	-	(6,523)	-	-
Used to finance new Capital Expenditure	-	-	-	5,269	-	(5,269)
Contribution to finance the payments to the Government capital receipts pool	(474)	-	-	474	-	-
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account</b>						
	20	-	-	-	(20)	-
<b>Adjustments Involving the Capital Adjustment Account: Exclusions</b>						
Charges for depreciation and impairment of non-current assets	(1,496)	(6,545)	-	-	-	8,041
Upward/(Downward) revaluation of non-current assets	(1,796)	(1,426)	-	-	-	3,222
Amortisation of intangible assets	(159)	-	-	-	-	159
Capital Grants and contributions applied	69	890	-	-	-	(959)
Revenue expenditure funded from Capital under statute	(723)	-	-	-	-	723
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,198)	(3,431)	-	-	-	4,629
Statutory provision for repayment of debt (MRP)	581	-	-	-	-	(581)
Capital expenditure charged against the General Fund and HRA balances	1,071	12,373	-	-	-	(13,445)
<b>Adjustments Involving the Deferred Capital Receipts Reserve</b>						
<b>Adjustments relating to the Major Repairs Reserve</b>						
Depreciation transferred from HRA	-	6,545	(6,545)	-	-	-
Use of the MRR to finance new capital exp	-	-	5,738	-	-	(5,738)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited/credited to the CIES	(3,768)	(591)	-	-	-	4,359
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements	(2,781)	-	-	-	-	2,781
<b>Adjustments Involving the Accumulated Absences Account</b>						
	-	-	-	-	-	-
<b>Total Adjustments</b>	<b>(9,224)</b>	<b>12,907</b>	<b>(807)</b>	<b>(780)</b>	<b>(20)</b>	<b>(2,078)</b>
<b>2018/19</b>						
<b>Adjustments Involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,195	5,445	-	(6,640)	-	-
Used to finance new Capital Expenditure	-	-	-	4,654	-	(4,654)
Contribution towards administrative costs of non-current asset disposals	(8)	6	-	2	-	-
Contribution to finance the payments to the Government capital receipts pool	(523)	-	-	523	-	-
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account</b>						
	143	-	-	-	(143)	-
<b>Adjustments Involving the Capital Adjustment Account: Exclusions</b>						
Charges for depreciation and impairment of non-current assets	(1,718)	(6,634)	-	-	-	8,353
Upward/(Downward) revaluation of non-current assets	(190)	(8,393)	-	-	-	8,583
Amortisation of intangible assets	(129)	-	-	-	-	129
Capital Grants and contributions applied	27	751	-	-	-	(778)
Revenue expenditure funded from Capital under statute	(76)	-	-	-	-	76
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(402)	(2,550)	-	-	-	2,952
Statutory provision for repayment of debt (MRP)	87	-	-	-	-	(87)
Capital expenditure charged against the General Fund and HRA balances	(8)	6,693	-	-	-	(6,685)
Other	29	-	-	-	-	(29)
<b>Adjustments Involving the Deferred Capital Receipts Reserve</b>						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to	5	-	-	-	-	(5)
<b>Adjustments relating to the Major Repairs Reserve</b>						
Depreciation transferred from HRA	-	6,634	(6,634)	-	-	-
Use of the MRR to finance new capital exp	-	-	6,634	-	-	(6,634)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited/credited to the CIES	(3,162)	(462)	-	-	-	3,624
<b>Adjustments involving the Collection Fund Adjustment Account</b>						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements	(985)	-	-	-	-	985
<b>Adjustments Involving the Accumulated Absences Account</b>						
	-	-	-	-	-	-
<b>Total Adjustments</b>	<b>(5,715)</b>	<b>1,490</b>	<b>-</b>	<b>(1,461)</b>	<b>(143)</b>	<b>5,829</b>

## 8. Movements in Earmarked Reserves

This note sets out the amount set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2018/19 and 2019/20 together with the aggregate balances for the General Fund including HRA.

	<i>Balance 31 March 2018</i>	<i>Transfers In</i>	<i>Transfers Out</i>	<i>Balance 31 March 2019</i>	<i>Transfers In</i>	<i>Transfers Out</i>	<i>Balance 31 March 2020</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Business Rates Growth	(6,230)	-	-	(6,230)	-	5,230	(1,000)
Infrastructure	(3,318)	-	-	(3,318)	(1,682)	-	(5,000)
Greater Cambridge City Deal	(3,095)	(922)	886	(3,131)	(3,336)	2,138	(4,330)
Renewables	(3,716)	(834)	75	(4,475)	(1,511)	1,248	(4,738)
Pensions	(637)	-	166	(471)	-	147	(324)
Vehicle Renewables	(1,148)	(758)	-	(1,906)	(1,578)	1,039	(2,445)
Accommodation	(281)	(50)	-	(331)	(277)	388	(221)
Transformation Reserves	(240)	(4,050)	264	(4,026)	-	123	(3,903)
Electoral Registration	(109)	-	-	(109)	(165)	217	(57)
Land Charges	(127)	(269)	-	(396)	-	56	(340)
Environmental	(329)	(83)	51	(361)	(101)	146	(316)
Planning	(2,587)	(64)	9	(2,642)	(2,228)	2,608	(2,262)
Other	(105)	(5)	69	(41)	(37)	45	(33)
Homelessness	(166)	(381)	95	(452)	(423)	257	(618)
Community Development	(114)	-	1	(113)	(144)	120	(137)
Housing	(171)	(123)	13	(282)	(18)	4	(295)
Property Investment	-	-	-	-	(3,548)	-	(3,548)
Covid-19	-	-	-	-	(36)	36	0
HomeLink	-	-	-	-	(387)	260	(127)
<b>General Fund</b>	<b>(22,373)</b>	<b>(7,539)</b>	<b>1,628</b>	<b>(28,284)</b>	<b>(15,471)</b>	<b>14,060</b>	<b>(29,693)</b>
Self Insurance	(1,000)	-	-	(1,000)	-	-	(1,000)
Investment Repayment	(8,500)	-	-	(8,500)	-	-	(8,500)
<b>Housing Revenue Account</b>	<b>(9,500)</b>	<b>-</b>	<b>-</b>	<b>(9,500)</b>	<b>-</b>	<b>-</b>	<b>(9,500)</b>
<b>Total Earmarked Reserves</b>	<b>(31,873)</b>	<b>(7,539)</b>	<b>1,628</b>	<b>(37,784)</b>	<b>(15,471)</b>	<b>14,060</b>	<b>(39,193)</b>

### Earmarked reserves with material balances or movements (over £1m):

Business Rates Growth - Balances for future use on improving returns on Business rates within the business sector.

Infrastructure - Balances for future use on A14 improvements scheme.

Greater Cambridge City Deal - Balances for future use to encourage businesses to base themselves in the district.

Renewables - Balance to be used on renewable energy projects.

Vehicle Renewables - Balances for future use on replacement vehicles for environmental services.

Transformation Reserve - Balance to be used to fund one off efficiency projects to deliver ongoing savings.

Planning - Balances for use on general planning matters plus the shared service with partner organisations started in 2018/19.

Property Investment - Balance to be used for repairs and renovation to existing investment properties.

HRA Self-insurance - Balances for future use on unforeseen, one-off, eventualities within the HRA.

HRA Investment Repayment - Balances for future use in redemption of long term borrowing under HRA self-financing.

## 9. Other Operating Income and Expenditure

	31 March	
	2020 £000s	2019 £000s
Parish Council Precepts	5,618	5,397
Internal Drainage Boards	197	193
Enterprise Zones	271	226
Payments to the Government Housing Pool	474	523
(Gains) on the disposal of non-current assets	(1,762)	(3,633)
<b>Total</b>	<b>4,798</b>	<b>2,706</b>

## 10. Financing and Investment Income and Expenditure

	31 March	
	2020 £000s	2019 £000s
Interest payable and similar charges	7,237	7,193
Pensions interest cost	1,728	1,576
Interest receivable and similar income	(2,870)	(2,274)
Inc. and exp. in relation to inv. prop. and changes in their fair value	6	-
<b>Total</b>	<b>6,101</b>	<b>6,494</b>

## 11. Taxation and Non Specific Grant Income and Expenditure

	31 March	
	2020 £000s	2019 £000s
Council Tax Income	(14,847)	(14,173)
Non Domestic Rate Income	(5,972)	(6,946)
Non-ring fenced Government Grants (see Note 27 for breakdown)	(5,226)	(6,110)
Capital Grants and Other Contributions (see Note 27 for breakdown)	(959)	(844)
<b>Total</b>	<b>(27,004)</b>	<b>(28,073)</b>



## 12a. Property, Plant and Equipment

Depreciation starting in the year after acquisition is provided for on non-current assets by writing down the cost (or re-valued amount) less estimated residual value, on a straight-line basis to the appropriate revenue account over the following periods:

\* Council dwellings – 13 to 54 years,

\* Buildings other than dwellings – 8 to 40 years,

\* Vehicles, plant and equipment – 3 to 14 years.

No depreciation is charged on surplus assets, assets held for sale or freehold land in accordance with standard accounting policies. The depreciation charged on dwelling stock is reversed out as at 31 March each year when the housing stock is revalued so this charge has no impact on the fair value of the housing stock as recorded in the Balance Sheet.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Assets Under Construction	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Gross Book Value 01 April 2019</b>	468,337	26,692	10,114	1,379	6,210	1,168	513,900
<i>Adjustments -other movements</i>		(152)	-	-			(152)
<i>Asset reclassification (to)/from Assets under construction</i>	5,732				(5,732)		-
<i>Asset reclassification (to)/from Surplus Assets and Assets Held for Sale</i>						1,564	1,564
<i>Additions</i>	6,923	385	813	-	16,323	53	24,496
<i>Revaluation Cr.ed to Revaluation Reserve</i>	26,118	2,987	-	-	-	(51)	29,054
<i>Revaluation Applied to the CIES</i>	(9,019)	(357)	-	-	-	13	(9,363)
<i>Derecognition- Disposals</i>	(2,912)	-	-	-	-	(1,173)	(4,085)
<b>Gross Book Value 31 March 2020</b>	<b>495,179</b>	<b>29,555</b>	<b>10,927</b>	<b>1,379</b>	<b>16,801</b>	<b>1,574</b>	<b>555,414</b>
<b>Depreciation 01 April 2019</b>	-	-	(5,028)	(77)	-	-	(5,105)
<i>Depreciation in Year</i>	(6,544)	(398)	(1,045)	(46)	-	-	(8,033)
<i>Depreciation w/o to Revaluation Reserve</i>	(32)	(3)	-	-	-	-	(35)
<i>Depreciation written out to CIES</i>	6,561	378	-	-	-	-	6,939
<i>Derecognition- Disposals</i>	15	-	-	-	-	-	15
<b>Depreciation 31 March 2020</b>	-	(23)	(6,073)	(123)	-	-	(6,219)
<b>Net Book Value 31 March 2020</b>	<b>495,179</b>	<b>29,532</b>	<b>4,854</b>	<b>1,256</b>	<b>16,801</b>	<b>1,574</b>	<b>549,195</b>
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Assets Under Construction	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Gross Book Value 01 April 2018</b>	479,840	27,943	9,137	1,473	7,713	152	526,258
<i>Adjustments - reclassifications between assets</i>	4,625	(4,503)	(356)	(94)	4	-	(324)
<i>Reclassification (to) Assets Held for Sale</i>	-	-	-	-	(997)	-	(997)
<i>Additions</i>	8,344	298	1,333	-	7,291	45	17,312
<i>Revaluation Cr.ed to Revaluation Reserve</i>	(15,978)	3,348	-	-	-	959	(11,671)
<i>Revaluation Applied to the CIES</i>	(13,858)	(394)	-	-	-	16	(14,236)
<i>Derecognition- Disposals</i>	(2,437)	-	-	-	-	(5)	(2,442)
<i>Asset reclassification (to)/from Assets under construction</i>	7,801	-	-	-	(7,801)	-	-
<b>Gross Book Value 31 March 2019</b>	<b>468,337</b>	<b>26,692</b>	<b>10,114</b>	<b>1,379</b>	<b>6,210</b>	<b>1,168</b>	<b>513,899</b>
<i>Depreciation 01 April 2018</i>	(79)	(328)	(4,287)	(125)	-	-	(4,819)
<i>Adjustments</i>	79	328	356	94	-	-	857
<i>Depreciation in Year</i>	(6,672)	(538)	(1,097)	(46)	-	-	(8,353)
<i>Depreciation w/o to Revaluation Reserve</i>	1,546	120	-	-	-	-	1,666
<i>Depreciation written out to CIES</i>	5,235	418	-	-	-	-	5,653
<i>Derecognition- Disposals</i>	(109)	-	-	-	-	-	(109)
<b>Depreciation 31 March 2019</b>	-	-	(5,028)	(77)	-	-	(5,105)
<b>Net Book Value 31 March 2019</b>	<b>468,338</b>	<b>26,692</b>	<b>5,086</b>	<b>1,302</b>	<b>6,210</b>	<b>1,168</b>	<b>508,796</b>



	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Infra-structure Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
<b>Carried Historical Cost</b>	-	-	10,927	1,379	16,801	-	<b>29,106</b>
<b>Valued at Current Value as from:</b>							
31 March 2020	495,179	29,555	-	-	-	1,574	<b>526,308</b>
<b>Total Cost or Valuation</b>	<b>495,179</b>	<b>29,555</b>	<b>10,927</b>	<b>1,379</b>	<b>16,801</b>	<b>1,574</b>	<b>555,414</b>

#### Revaluations

It is a requirement that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. The Council carries out a programme that will ensure the valuer undertakes an annual desk top revaluation review with an in depth valuation at least every five years.

Valuations, with an effective date of 31 March 2020, on the bases set out in the statement of accounting policies have been carried out for all land and buildings, as follows:

- Council dwellings relating to the Housing Revenue Account, by Wilks, Head and Eve LLP and
- Non-operational assets relating to the Housing Revenue Account, by Mr Paul Gedge, MRICS, District Valuer, East of England
- Other land and buildings, by Mr Paul Gedge, MRICS, District Valuer, East of England.

The valuations are subject to material valuation uncertainty as disclosed in note 4 on page 33.

The valuation of operational property was on the basis of existing use value. Further detail on the basis for valuation is set out in the statement of accounting policies.

Surplus assets are valued at fair value (at level 3 of the fair value hierarchy) as at 31 March 2020. This value represents the development potential based on a value per net developable acre taking into account planning risk.

Details on investment property valuation can be found in Note 12b and in Note G2 (Group Accounts).

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

#### 12b. Investment Properties

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

	31 March	
	2020 £000s	2019 £000s
Rental income from investment property	(850)	-
Direct operating expenses arising from investment property	57	-
<b>Net (Gain)</b>	<b>(794)</b>	<b>-</b>

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

Properties categorised within Level 2 (office/commercial units)	31 March	
	2020 £000s	2019 £000s
Balance at the start of the year	-	-
Additions:		
Purchases	25,400	-
Net (Loss) from fair value adjustments	(800)	-
<b>Balance at the end of the year</b>	<b>24,600</b>	<b>-</b>

All investment properties have been valued based on level 2 (office/commercial units) observable inputs for the asset either directly or indirectly using a market approach and that their current use is their highest and best use. The updated valuations were carried out as at 29 February 2020 by Paul Gedge MRICS Senior Surveyor DVS East. The valuations are subject to material valuation uncertainty as disclosed in note 4 on page 33.

The office and commercial units located in the local authority area are measured using the market approach, it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The authority's office and commercial units are therefore categorised as Level 2 in the fair value hierarchy as the measurement technique uses observable inputs to determine the fair value measurements. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

### 13. Investments and Borrowing

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

The following shows the original principal sum invested as at 31 March analysed by the nature of the financial institution and by maturity, these investments (other than South Cambs Ltd) are fixed time and callable deposits where the deposits are redeemed for the same value as the amount invested. The deposits are with United Kingdom banks and building societies and, therefore, no provision is made for possible loss of principal.

	31 March			
	2020 short term £000s	2020 long term £000s	2020 Total £000s	2019 Total £000s
Local Authorities	9,504		9,504	4,524
South Cambs Limited		72,180	72,180	59,455
Clearing Banks	5,046		5,046	14,180
Banks (other)		-	-	4,027
Money Market Funds	9,863		9,863	7,179
Building Societies with assets: >£10 billion		-	-	3,016
Housing Association	5,055		5,055	5,047
Other		2,496	2,496	1,263
	<b>29,468</b>	<b>74,676</b>	<b>104,145</b>	<b>98,693</b>
Less: cash and cash equivalents	(19,360)	-	(19,360)	(7,250)
<b>Total</b>	<b>10,108</b>	<b>74,676</b>	<b>84,785</b>	<b>91,443</b>
<b>Principal Investment analysed by maturity</b>				
2019/20	-	-	-	80,438
2020/21	10,000	-	10,000	9,970
2021/22	-	74,044	74,044	-
Accrued Interest	108	632	741	1,035
	<b>10,108</b>	<b>74,676</b>	<b>84,785</b>	<b>91,443</b>

#### Long Term Borrowing for HRA Financing

In March 2012 the Council obtained 41 individual loans with maturity dates between 2037 and 2057 from the Public Works Loan Board (PWLB) to finance the one-off payment to buy the Council out of the negative subsidy position at the end of 2011/12. The loans have been included in the Balance Sheet at amortised cost, administration charges where incurred are charged directly to the Housing Revenue Income and Expenditure Account. An analysis of the PWLB long term liability is provided below:

	31 March	
	2020 £000s	2019 £000s
Repayable within 25 years	(85,000)	(75,000)
Repayable within 30 years	(50,000)	(50,000)
Repayable within 35 years	(50,000)	(50,000)
Repayable within 40 years	(20,123)	(30,123)
<b>Net Carrying Amount at end of the year</b>	<b>(205,123)</b>	<b>(205,123)</b>

### 14. Long Term Debtors

	31 March	
	2020 £000s	2019 £000s
Webbs Hole Sluice	418	640
Long Term Loans (given before 2012/13)	329	330
<b>Net Carrying Amount at end of the year</b>	<b>747</b>	<b>970</b>

## 15. Financial Instruments

### Categories of Financial Instruments

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

#### Financial assets

	Non-current				Current				Total	Total
	Investments		Debtors		Investments		Debtors			
	31-Mar 2020 £000s	31-Mar 2019 £000s	31-Mar 2020 £000s	31-Mar 2019 £000s	31-Mar 2020 £000s	31-Mar 2019 £000s	31-Mar 2020 £000s	31-Mar 2019 £000s		
Amortised cost	74,676	9,970	747	970	10,108	81,473	2,112	2,592	87,644	95,005
<b>Total financial assets</b>	<b>74,676</b>	<b>9,970</b>	<b>747</b>	<b>970</b>	<b>10,108</b>	<b>81,473</b>	<b>2,112</b>	<b>2,592</b>	<b>87,644</b>	<b>95,005</b>
Non-financial assets	-	-	-	-	-	-	3,943	7,599	3,943	7,599
<b>Total</b>	<b>74,676</b>	<b>9,970</b>	<b>747</b>	<b>970</b>	<b>10,108</b>	<b>81,473</b>	<b>6,055</b>	<b>10,191</b>	<b>91,587</b>	<b>102,604</b>

#### Financial liabilities

	Non-current				Current				Total	Total
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar 2020 £000s	31-Mar 2019 £000s	31-Mar 2020 £000s	31-Mar 2019 £000s	31-Mar 2020 £000s	31-Mar 2019 £000s	31-Mar 2020 £000s	31-Mar 2019 £000s		
Amortised cost	(205,123)	(205,123)	-	-	(10,000)	(3,000)	(30,204)	(11,834)	(245,327)	(219,957)
<b>Total financial liabilities</b>	<b>(205,123)</b>	<b>(205,123)</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>(3,000)</b>	<b>(30,204)</b>	<b>(11,834)</b>	<b>(245,327)</b>	<b>(219,957)</b>
Non-financial liabilities	-	-	-	-	-	-	(19,697)	(19,573)	(19,697)	(19,573)
<b>Total</b>	<b>(205,123)</b>	<b>(205,123)</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>(3,000)</b>	<b>(49,901)</b>	<b>(31,407)</b>	<b>(265,024)</b>	<b>(239,530)</b>

#### Income and Expense Gains and Losses

Interest Payable and Receivable is shown in the Comprehensive Income and Expenditure Account and notes.

#### Fair Values of Assets and Liabilities

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

For trade payables, bank deposits and trade receivables, being of short duration, and for long term mortgages, being at variable rates, the carrying value in the balance sheet is considered approximate to their fair value.

For investments, which are mainly at fixed rates, fair value has not been calculated as this is the same as its carrying value.

Estimated ranges of interest rates as at 31 March 2020 of 0.545% to 0.73% (0.88% to 1.44% as at 31 March 2019) for SCDC loans from the Public Works Loans Board based on premature repayment rates at that date.

Fair value is the amount determined by knowledgeable, willing parties in an arm's length transaction. Local authorities are required to follow the fair value hierarchy prescribed by paragraphs 76-90 of IFRS13. This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value, these include:

- Level 1 inputs- quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level 2 inputs- inputs other than quoted prices included within level1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs- unobservable inputs for the asset or liability

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair values and carrying values are considered to be the same with the exception of the following;

	31 March 2020		31 March 2019	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
<b>Financial liabilities</b>				
Long term borrowing	(205,123)	(349,105)	(205,123)	(303,063)
<b>Total Financial Liabilities</b>	<b>(205,123)</b>	<b>(349,105)</b>	<b>(205,123)</b>	<b>(303,063)</b>

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 measure the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing rates.

The fair value of the loans from the PWLB has been assessed using the new loans rate. IFRS13 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.

If the Council were to seek to take advantage of the lower prevailing market rates by repaying current PWLB loans, the PWLB would charge a penalty and the Council would have to pay an early redemption rate. The exit price for PWLB loans including this penalty would be over £250m.

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

## 16. Short Term Debtors and Payments in Advance

An analysis of debtors falling due within one year is shown below:

	31 March			
	2020 Core £000s	2020 Coll. Fund £000s	2020 Total £000s	2019 Total £000s
Central Government Bodies	2,225	-	2,225	5,492
Local Authorities	1,887	-	1,887	2,089
NHS	46	-	46	139
Other Entities and Individuals	4,343	495	4,838	4,829
Payments in Advance	86	-	86	71
<b>Total debtors and payments in advance</b>	<b>8,587</b>	<b>495</b>	<b>9,082</b>	<b>12,620</b>
<b>Less: Provision for Bad Debts / Impairment</b>				
Council Tax Arrears- Council share	-	(59)	(59)	(42)
NDR Arrears- Council share	-	(156)	(156)	(79)
Housing (HRA)	(568)	-	(568)	(454)
Sundry Debtors (customer debt)	(2,244)	-	(2,244)	(1,854)
<b>Total provisions for bad debts / impairments</b>	<b>(2,811)</b>	<b>(216)</b>	<b>(3,027)</b>	<b>(2,429)</b>
<b>Total net figure</b>	<b>5,776</b>	<b>279</b>	<b>6,055</b>	<b>10,191</b>

The credit risk associated with accounts payable to the Council is reflected in the provisions made in the accounts for doubtful debts.

## 17. Cash and Cash Equivalents

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

	31 March	
	2020 £000s	2019 £000s
Short-term Deposits with Money Market Funds	19,360	7,250
Bank Overdrafts	(1,301)	(1,402)
<b>Total Cash and Cash Equivalents</b>	<b>18,059</b>	<b>5,848</b>

## 18. Short Term Creditors and Revenue Grants Receipts in Advance

An analysis of creditors falling due within one year is shown below:

Creditors	31 March			
	2020 Core £000s	2020 Coll. Fund £000s	2020 Total £000s	2019 Total £000s
Central Government Bodies	(8,024)	(5,440)	(13,464)	(12,912)
Local Authorities	(3,667)	(2,567)	(6,234)	(6,612)
NHS	-	-	-	(49)
Other Entities and Individuals (inc. S106)	(28,107)	-	(28,107)	(10,404)
Receipts in Advance	(1,268)	(829)	(2,097)	(1,430)
<b>Total creditors and receipts in advance</b>	<b>(41,065)</b>	<b>(8,836)</b>	<b>(49,901)</b>	<b>(31,407)</b>

Revenue grants- Receipts in Advance	31 March	
	2020 £000s	2019 £000s
Section 31 Business rates	(2,400)	-
<b>Total Revenue Grants - Receipts in Advance</b>	<b>(2,400)</b>	<b>-</b>

## 19. Provisions

New arrangements for the retention of business rates came into effect on 1 April 2013, at which time the Council assumed liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, which will include amounts that were paid over to central Government in respect of 2012/13 and prior years. A provision for the appeals liabilities of £4.479m has been recognised in the 2019/20 accounts (£3.503m in 2018/19), and the in-year movement is shown in Note 32.

The Northstowe provision £2,386k is to cover the councils S106 Northstowe Phase 1 and 2 obligations for a range of community and environmental infrastructure facilities as based upon the value of facilities required to be delivered there will be a shortfall on funding for the various works due to be undertaken

The accumulated absences provision is for compensated absences earned by employees but not taken in the year.

	Business Rates Appeals Provision £000s	Northstowe Provision £000s	Accumulated Absences Provision £000s	Total £000s
<b>Balance at 1 April 2019</b>	<b>3,503</b>	-	<b>257</b>	<b>3,760</b>
Additional provisions made in 2019/20	4,573	2,386	-	6,959
Amounts used in 2019/20	(3,597)	0	-	(3,597)
Unused a ee16	-	-	-	-
<b>Balance as at 31 March 2020</b>	<b>4,479</b>	<b>2,386</b>	<b>257</b>	<b>7,122</b>

## 20. Unusable Reserves

Movements in Usable Reserves are shown in detail on the Movement in Reserves Statement.

	31 March	
	2020 £000s	2019 £000s
Revaluation Reserve	123,973	98,051
Capital Adjustment Account	215,916	203,604
Pension Reserve	(57,352)	(70,548)
Deferred Capital Receipts Reserve	88	88
Collection Fund Adjustment Account	(482)	2,299
Accumulated Absences Account	(257)	(257)
<b>Total Unusable Reserves</b>	<b>281,887</b>	<b>233,237</b>

### Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment (and Intangible Assets). 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 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 reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March	
	2020 £000s	2019 £000s
<b>Balance as at 01 April</b>	<b>98,054</b>	<b>110,624</b>
Net reval. of assets not charged to surplus/deficit on provision of services	29,019	(10,003)
<b>(Surplus)/Deficit on revaluation of non current assets not posted to the (surplus)/deficit on the Provision of Services</b>	<b>29,019</b>	<b>(10,003)</b>
Difference between fair value depreciation and historical cost depreciation	(1,459)	(1,666)
Accumulated gains on assets sold or scrapped	(1,641)	(901)
<b>Net amount transferred to the Capital Adjustment Account</b>	<b>(3,100)</b>	<b>(2,567)</b>
<b>Balance as at 31 March</b>	<b>123,973</b>	<b>98,054</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 provision. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to 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 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 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

	<b>31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
<b>Balance as at 01 April</b>	<b>203,604</b>	<b>202,380</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>		
Charges for depreciation and impairment of non-current assets	(8,200)	(8,481)
Revaluation impairment through CIES	(4,743)	(8,583)
Reversal of impairment on revaluation	2,325	-
Revenue expenditure funded from capital under statute	(723)	(76)
Amounts of non-current assets written off on disposal as part of the gain / loss on disposal posted to the CIES	(4,629)	(2,952)
Write out of revaluation gain on disposal from Revaluation Reserve	1,459	901
Depreciation, amortisation and impairment w/o from Reval. Res.	1,641	1,666
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(12,870)</b>	<b>(17,525)</b>
<b>Capital expenditure financed from;</b>		
Capital receipts reserve	5,269	4,653
Capital exp. charged against GF and HRA balances	13,444	6,685
Other capital grants and contributions	959	778
Major repairs allowances / reserve	5,738	6,634
Internal financing (Minimum Revenue Provision)	581	87
<b>Total Capital Financing</b>	<b>25,991</b>	<b>18,837</b>
Movement in value - Investment properties	(800)	-
Other	(9)	(88)
<b>Balance as at 31 March</b>	<b>215,916</b>	<b>203,604</b>

The fair value of long term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

#### **Pension 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 CIES 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 employers contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance of the Pension Reserve therefore shows a substantial shortfall in the benefits earned by the past and current employees and the resources the Council have set aside to meet them. The statutory arrangements ensure the funding will have been set aside by the time the benefits come to be paid.

See Note 31 for further details of the Reserve Balance which equates to the Liability.

	31 March	
	2020 £000s	2019 £000s
<b>Balance as at 01 April</b>	<b>(70,548)</b>	<b>(57,679)</b>
Remeasurements of the net defined liability / (asset)	17,555	(9,245)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(8,692)	(7,818)
Employers pensions contributions and direct payments to pensioners payable in the year	4,333	4,194
<b>Balance as at 31 March</b>	<b>(57,352)</b>	<b>(70,548)</b>

#### Deferred Capital Receipts

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 useable for financing new capital expenditure until they are backed by cash receipts. When the cash is eventually received, amounts are transferred to the Capital Receipts Reserve.

	31 March	
	2020 £000s	2019 £000s
<b>Balance as at 01 April</b>	<b>88</b>	<b>83</b>
Movement in year	-	5
<b>Balance as at 31 March</b>	<b>88</b>	<b>88</b>

#### Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the amount that the Council owes itself at the year end arising from the declared Collection Fund Surplus for the year. This amount is not permitted to be allocated to the General Fund under Statute hence its inclusion within this Reserve.

See Collection Fund Accounts for further details

	31 March	
	2020 £000s	2019 £000s
<b>Balance as at 01 April</b>	<b>2,299</b>	<b>3,284</b>
Amount by which non-domestic rates income credited to CIES is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(2,835)	(1,045)
Amount by which council tax income credited to CIES is different from council tax income calculated for the year in accordance with statutory requirements	54	60
<b>Balance as at 31 March</b>	<b>(482)</b>	<b>2,299</b>

#### Accumulated Absence Reserve

The Accumulating Compensated Absence Reserve reflects the input of excess staff time utilised at the Balance Sheet Date which will be paid in kind beyond the Balance Sheet Date in the form of excess leave or flexi time carried forward.

	31 March	
	2020 £000s	2019 £000s
<b>Balance as at 01 April</b>	<b>(257)</b>	<b>(257)</b>
Movement in year	-	-
<b>Balance as at 31 March</b>	<b>(257)</b>	<b>(257)</b>



## 21. Cash Flow Statement- Operating Activities

Adjust net surplus or deficit on the provision of services for non cash movements

	<b>31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Depreciation	8,441	8,481
Impairment and upward revaluations	2,933	8,574
Increase / (decrease) in creditors	20,894	(411)
Increase / (decrease) in provisions	3,361	664
(Increase) / decrease in debtors	4,359	2,358
(Increase) / decrease in inventories	(129)	(16)
Pension Liability	4,359	3,624
Carrying amount of Non-Current Assets sold	4,669	2,906
<b>Total</b>	<b>48,887</b>	<b>26,181</b>

Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

	<b>31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Creditors relating to Section 106 etc.	15,973	1,816
Creditors relating to Collection Fund Agencies	2,563	283
Proceeds from the sale of property and equipment, investment property and intangible assets	(6,431)	(6,539)
<b>Total</b>	<b>12,105</b>	<b>(4,440)</b>

Operating activities within the cashflow statement include the following cash flows relating to interest and other operating activities

	<b>31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Interest Received	2,870	2,274
Interest Charge for the Year	(7,237)	(7,193)
<b>Total</b>	<b>(4,367)</b>	<b>(4,918)</b>

## 22. Cash Flow Statement- Investing Activities

	31 March	
	2020 £000s	2019 £000s
Purchase of Property, Plant and Equipment, Investing Property	(49,955)	(17,479)
Purchase of Short-term and Long-term Investments	6,658	(16,785)
Purchase of Short-term and Long-term Borrowing	7,000	3,000
Proceeds from Sale of Property, Plant and Equipment, Investment	6,431	6,539
<b>Total</b>	<b>(29,866)</b>	<b>(24,725)</b>

## 23. Cash Flow Statement- Financing Activities

	31 March	
	2020 £000s	2019 £000s
Creditors relating to Section 106 etc.	(15,973)	(1,816)
Creditors relating to Collection Fund Agencies	(2,559)	(283)
<b>Total</b>	<b>(18,532)</b>	<b>(2,100)</b>

## 24. Members Allowance

South Cambridgeshire District Council was represented by a total of 57 Councillors until May 2018, following a boundary review the number reduced to 45. Further information is available upon request from the Democratic Services Manager, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge, CB23 6EA.

	31 March	
	2020 £	2019 £
Allowances	322,683	305,807
Expenses	25,808	27,988
<b>Total Member Allowances</b>	<b>348,491</b>	<b>333,795</b>

## 25. Officer Remuneration

Senior Officer Remuneration:

	2019/20				
	Salary (including fees and allowances) £	Benefits in Kind £	Pension Contributions £	Compensation for Loss of Office £	Total Remuneration including Pension Contributions £
Chief Executive (began 23 Sep 2019)	71,952	-	11,535	-	83,487
Interim Executive Director (Corporate Services) #5	40,560	-	5,909	-	46,469
Director of Health and Environmental Services (ended 7 Feb 2020) #2 #4 #6	122,172	-	20,037	99,051	241,260
Head of Waste and Environment (began 1 Mar 2020) #6	6,446	-	1,096	-	7,542
Interim Head of Housing, previous Director of Housing (began Jan 2020)	21,900	-	-	-	21,900
Director of Planning and Eco.Dev. #3	108,275	-	18,407	-	126,682
Head of Finance, Section 151 Officer (began 15 April 2019) #5	71,276	-	12,117	-	83,393
Head of Human Resources and Corporate Services #5	85,062	-	13,967	-	99,029
<b>Total</b>	<b>527,643</b>	<b>-</b>	<b>83,068</b>	<b>99,051</b>	<b>709,762</b>

	2018/19				
	Salary (including fees and allowances) £	Benefits in Kind £	Pension Contributions £	Compensation for Loss of Office £	Total Remuneration including Pension Contributions £
Chief Executive (ended 28 Feb 2019) #1 #2	130,034	-	19,984	202,455	352,473
Executive Director (Corporate Services) (Retired 31 Dec 2018)	80,315	-	12,604	-	92,919
Interim Executive Director (Corporate Services) (from Jan 2019)	34,300	-	-	-	34,300
Director of Health and Environmental Services #2 #4	95,906	-	16,253	-	112,158
Director of Housing (ended 22 July 2018) #4	29,823	-	-	-	29,823
Director of Planning and Economic Development	106,152	-	18,046	-	124,198
<b>Total</b>	<b>476,529</b>	<b>-</b>	<b>66,887</b>	<b>202,455</b>	<b>745,871</b>

- #1- Loss of office cost is additional pension contributions payable due to early retirement.  
 #2- Includes acting up to Chief Executive from 1 Mar 2019 until permanent appointment in Sep 2019, with remuneration.  
 #3- Shared Director with Cambridge City Council, 100% of remuneration costs shown above, costs shared 50:50.  
 #4- Includes acting as Director of Housing from 23 July 2018, without remuneration, until officer left Feb 2020  
 #5- New senior 'Leadership Team' structure introduced in 2019/20, Executive Director (Corporate Services) post deleted and four Head of Service posts added.  
 #6- Director of Health and Environmental Services post superseded by Director of Waste and Environment post from 1 March 2020.

The number of employees, excluding Senior Officers shown below, whose remuneration was £50,000 or more were:

Remuneration Band	31 March	
	2020 No of Employees	2019 No of Employees
£50,000 - £54,999	6	8
£55,000 - £59,999	4	6
£60,000 - £64,999	5	3
£65,000 - £69,999	2	1
£70,000 - £74,999	0	0
<b>Total</b>	<b>17</b>	<b>18</b>

Remuneration for these purposes includes all sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits other than in cash. As remuneration includes redundancy and compensation for loss of office, the number of employees in each salary band can vary from year to year. Pension contributions payable by either the employee or employer are excluded.

#### Termination Benefits

Exit packages are those that have been agreed by the Authority, i.e. those packages for which the Authority is demonstrably committed and, have been paid in 2019/20 or are committed to be paid within 12 months. The costs included are those termination benefits defined and measured in accordance with the Code of Practice and include all relevant redundancy costs, pension contributions in respect of early retirement, ex gratia payments and other departure costs.

Exit Package Cost Band (inc. special payments)	2019/20			Total Cost of Exit Packages in Each Band £000s
	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	
£0 - £20,000	1	1	2	10
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	1	1	67
£200,001 - £220,000	-	-	-	-
<b>Total Cost Included in Bandings and in the CIES</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>77</b>

Exit Package Cost Band (inc. special payments)	2018/19			Total Cost of Exit Packages in Each Band £000s
	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	
£0 - £20,000	2	1	3	23
£20,001 - £40,000	-	1	1	30
£40,001 - £60,000	-	1	1	44
£60,001 - £80,000	-	-	-	-
£200,001 - £220,000	-	1	1	202
<b>Total Cost Included in Bandings and in the CIES</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>300</b>

## 26. External Audit Fees

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims and returns:

	31 March	
	2020 £000s	2019 £000s
External Audit Services 2019/20 - EY LLP	70	-
Certification of Grant Claims and Returns 2019/20 - EY LLP	15	-
Housing pooling capital receipts 2019/20 - Ensors	4	-
External Audit Services 2018/19	-	57
Certification of Grant Claims and Returns 2018/19	-	9
Housing pooling capital receipts 2018/19	-	4
External Audit Services 2017/18	-	57
Certification of Grant Claims and Returns 2017/18	-	11
Additional Audit Fee 2017/18	-	80
Housing pooling capital receipts 2017/18	-	4
<b>Total External Audit Fees</b>	<b>89</b>	<b>222</b>

## 27. Grants and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement

Credited to Taxation and Non-Specific Grant Income	31 March	
	2020 £000s	2019 £000s
New Homes Bonus	(2,473)	(3,010)
Other non-ringfenced government grants	(173)	(605)
Business Rates	(2,580)	(2,496)
Capital Grants and Contributions	(959)	(844)
<b>Total Grants and Contributions</b>	<b>(6,185)</b>	<b>(6,955)</b>

Credited to Services	31 March	
	2020 £000s	2019 £000s
Department for Work and Pensions (DWP)- Housing Benefit	(22,900)	(25,644)
Cabinet Office (CO)- Electoral Registration	(19)	(20)
Ministry for Hou, Comm. and Local Government (MHCLG)	(235)	(311)
Other Government Grants	(340)	(1,193)
Private Sector Grants- s106 Grants	-	(5)
Contributions from local authorities- Improvement Grants (capital)	(664)	(636)
<b>Total Grants and Contributions</b>	<b>(24,157)</b>	<b>(27,810)</b>

## 28. Related Party Declarations

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The Council holds a Register of Interests in which all members are required to declare any interests in accordance with the code of conduct which is open to the public.

The Council has two subsidiary companies wholly owned by the Council, South Cambs Limited (trading as Ermine Street Housing) and Shire Homes Lettings Limited. Transactions between these companies and the Council are accounted within the Council's group accounts (see Note G3).

### Ermine Street Housing

One employee (M Hill) and two members (Councillors I Sollom and J Batchelor) are Directors of Ermine Street Housing. M Hill resigned in February 2020 replaced by L Bisset (the Council's interim Director of Housing). During 2019/20, the Council charged £2,408,249 (£2,135,612 2018/19) for its services to Ermine Street Housing. Amounts owed at the end of the year by Ermine Street Housing to the Council total £72,450,996 (£59,838,421 2018/19) related to recharges for contracted services and short term loans taken out to purchase investment properties.

**Shire Homes Limited**

One officer (H Wood) and one member (Councillor P Fane) of the Council are the company directors. During 2019/20 expenditure of £211,021 (£119,846 in 2018/19) was paid to Shire Homes Lettings Limited for contracted services to manage the Councils private sector scheme and the Council charged £153,152 (£80,832 2018/19) for its services. At the end of 2019/20 the net amount of £53,640 (£52,026 2018/19) was outstanding to the Council by Shire Homes.

**Central Government**

Central Government is responsible for providing the statutory framework within which the Council operates and provides a significant amount of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties, for example Council Tax bills, housing benefits.

In 2019/20, there were no reported material related party transactions that are not disclosed elsewhere in the accounts.

## 29. Capital Expenditure and Financing

The total amount of capital enhancement incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital enhancement 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.

	31 March			
	2020 HRA £000s	2020 GF £000s	2020 TOTAL £000s	2019 TOTAL £000s
<b>Opening Capital Financing Requirement</b>	<b>204,429</b>	<b>64,243</b>	<b>268,672</b>	<b>246,851</b>
<b>Capital Investment</b>				
Loan to South Cambs Ltd *	-	12,725	12,725	23,147
Intangible Assets	-	211	211	117
Non-current	22,592	24,496	47,088	17,318
Rev. Expenditure Funded from Capital Under Statute	-	800	800	76
<b>Sources of Finance</b>				
Capital receipts and contributions	(3,850)	(1,419)	(5,269)	(4,653)
Revenue	(13,444)	-	(13,444)	(6,685)
Grants and Reserves	(890)	(69)	(959)	(778)
Major repairs reserve	(5,738)	-	(5,738)	(6,634)
MRP from Capital Adjustment Account	-	(581)	(581)	(87)
<b>Closing Capital Financing Requirement</b>	<b>203,098</b>	<b>100,407</b>	<b>303,505</b>	<b>268,672</b>

\* The loans made to South Cambs Limited, from cash balances, are recognised as capital in year, increasing the Council's underlying need to borrow.

## 30. Leases

The Council entered into two operating leases in 19/20 for electric vehicles at a cost of £48,778 for a five year term. The full cost was paid in 19/20, however only the 19/20 element of £2,845 was charged to the 19/20 CIES. The balance was treated as a prepayment and will be amortised across the relevant fiscal periods. There were rental payments of £84,719 in 2018/19.

There were no Minimum Lease Payments to report in 2019/20 and 2018/19

Following a full review of the Council's related agreements there are no embedded leases to report for 2019/20 (£0 in 2018/19)

## 31. Pensions

The Council participates in the national Local Government Pension Scheme which is a funded defined benefit (final salary) scheme and which also provide historic unfunded discretionary benefits, both of which are administered by Cambridgeshire County Council. With the funded scheme, the Council (the employer) and employees both pay contributions into the pension fund with the employer's contribution calculated every three years at a level intended to balance the scheme assets and liabilities over a twenty year period.

The transactions below have been made in the CIES during the year.

### Comprehensive Income and Expenditure Statement

	31 March	
	2020 £000s	2019 £000s
Service Cost	6,964	6,242
Net Interest Charged	1,728	1,576
<b>Net Charge made to the CIES</b>	<b>8,692</b>	<b>7,818</b>
<b>Re-Measurements in Other Comprehensive Income</b>		
Return on Fund Assets in Excess of Interest	2,280	(4,080)
Changes in Financial Assumptions	(15,584)	13,325
Change in Demographic Assumptions	(4,251)	-
<b>Re-Measurement of the Net Assets /</b>	<b>(17,555)</b>	<b>9,245</b>
<b>Pension Assets and Liabilities Recognised in the Balance Sheet</b>		
Present Value of the Funded Obligation	167,796	179,602
Present Value of the Unfunded Obligation	1,706	2,035
Fair Value of Scheme Assets	(112,150)	(111,089)
<b>Net Liability in the Balance Sheet</b>	<b>57,352</b>	<b>70,548</b>

## Reconciliation of the fair value of the Scheme Liabilities

	Unfunded Liabilities		Funded Liabilities Local Govt Pension Scheme	
	2020 £000s	2019 £000s	2020 £000s	2019 £000s
Net pensions liability at 1 April	(2,035)	(2,110)	(179,602)	(159,131)
Interest Cost	(41)	(41)	(4,365)	(4,339)
Change in Demographic Assumptions	55	-	4,196	-
Change in Financial Assumptions	203	-	15,381	(13,325)
Change in Other Assumptions	-	-	(148)	53
Current Service Cost	-	-	(6,964)	(5,700)
Past Service Cost Including Curtailments	-	-	-	(542)
Contributions by Scheme Participants	-	-	(1,014)	(954)
Estimated Benefits Paid	112	116	4,720	4,336
<b>Net Pension Liability at 31 March</b>	<b>(1,706)</b>	<b>(2,035)</b>	<b>(167,796)</b>	<b>(179,602)</b>

## Reconciliation of the fair value of the Scheme Assets

	31 March	
	2020 £000s	2019 £000s
Fair Value of the Plan Assets at 1 April	111,089	103,562
Interest on Assets	2,678	2,804
Return on Assets less Interest	(2,132)	4,027
Employer Contributions including Unfunded	4,333	4,194
Contributions by Scheme Participants	1,014	954
Benefits Paid	(4,720)	(4,336)
Contribution in respect of unfunded benefits	(112)	(116)
<b>Fair Value of the Plan Assets at 31 March</b>	<b>112,150</b>	<b>111,089</b>

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The last triennial valuation was completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The estimated Employer contributions for the period to 31 March 2021 are £4,221,000 (£4,078,000 2019/20).

## 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 the assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full (triennial) valuation of the scheme as at 31 March 2016.

## The principal assumptions used by the actuary have been:

### Mortality Assumptions

Longevity at 65 for current pensioners in years:

\* Men

\* Women

Longevity at 65 for future pensioners in years:

\* Men

\* Women

Rate of increase in salaries

Rate of increase in pensions

Rate for discounting scheme liabilities

	2019/20	2018/19
* Men	22.0	22.4
* Women	24.0	24.4
* Men	22.7	24.0
* Women	25.5	26.3
Rate of increase in salaries	2.4%	2.8%
Rate of increase in pensions	1.9%	2.5%
Rate for discounting scheme liabilities	2.3%	2.4%



The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumption in longevity, for example, assume that life expectancy increases (or decreases) 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.

The Scheme's assets consist of the following categories, by proportion of the total assets held.

	2019/20			2018/19		
	Quoted active market £000s	Quoted non-active market £000s	Total £000s	Quoted active market £000s	Quoted non-active market £000s	Total £000s
Cash and cash equivalents	1,692	-	1,692	1,376	-	1,376
<i>Equity instrument by industry type</i>						
Consumer	-	-	-	3,356	-	3,356
Manufacturing	-	-	-	1,999	-	1,999
Energy and Utilities	-	-	-	2,333	-	2,333
Financial Institutions	-	-	-	4,176	-	4,176
Health and Care	-	-	-	672	-	672
Info. Technology	-	-	-	591	-	591
Sub-total equity	-	-	-	13,128	-	13,128
<i>Debt Securities: by sector</i>						
UK Government	-	5,806	5,806	-	2,756	2,756
Other	-	-	-	-	-	-
Sub-total bonds	-	5,806	5,806	-	2,756	2,756
<i>Property: by type</i>						
UK Property	-	8,392	8,392	-	-	-
Overseas Property	-	2	2	-	-	-
Sub-total property	-	8,393	8,393	-	-	-
<i>Private Equity:</i>						
All (UK and Overseas)	-	9,199	9,199	-	8,411	8,411
Sub-total private equity	-	9,199	9,199	-	8,411	8,411
<i>Inv. Funds and Unit Trusts</i>						
Equities	-	67,978	67,978	-	62,231	62,231
Bonds	-	7,606	7,606	-	10,323	10,323
Infrastructure	-	10,112	10,112	-	4,624	4,624
Other	-	-	-	-	8,241	8,241
Sub-total other inv. funds	-	85,696	85,696	-	85,419	85,419
<i>Derivatives:</i>						
Other	-	1,364	1,364	-	-	-
Sub-total derivatives	-	1,364	1,364	-	-	-
<b>Total</b>	<b>1,692</b>	<b>110,458</b>	<b>112,150</b>	<b>14,503</b>	<b>96,586</b>	<b>111,089</b>

Fair value of scheme assets	31 March	
	2020 %	2019 %
Equity Instruments:		
Equity Securities	0.0%	11.8%
Debt Securities	5.2%	2.5%
Property	7.5%	0.0%
Private Equity	8.2%	7.6%
Investment Funds and Unit Trusts	76.4%	76.9%
Derivatives	1.2%	0.0%
Cash and Cash Equivalents	1.5%	1.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2017 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

### Sensitivity Analysis as at 31 March 2020

#### Adjustment to Discount Rate

Present Value of Total Obligation

#### Adjustment to Long Term Salary Increase

Present Value of Total Obligation

#### Adjustment to Pension Increases and Deferred Revaluation

Present Value of Total Obligation

Sensitivity 1	Existing	Sensitivity 2
	Assumptions	
£000s	£000s	%
16,147	167,796	10%
1,418	167,796	1%
14,606	167,796	9%

### Sensitivity Analysis as at 31 March 2019

#### Adjustment to Discount Rate

Present Value of Total Obligation

#### Adjustment to Long Term Salary Increase

Present Value of Total Obligation

#### Adjustment to Pension Increases and Deferred Revaluation

Present Value of Total Obligation

Sensitivity 1	Existing	Sensitivity 2
	Assumptions	
£000s	£000s	%
18,486	181,637	10%
2,407	181,637	1%
15,791	181,637	9%

## 32. NATURE and EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Council has the following financial instruments:

- financial liabilities: trade payables and long term borrowing
- financial assets: loans and receivables comprising bank deposits, trade receivables, investments, shares and long term mortgages

The Council has given interest free loans, repayable on the sale/transfer of charged properties, which have not been classified as financial instruments. These loans are included in the balance sheet as long term debtors', the outstanding amount was £0.330m as at 31 March 2020 (£0.329m in 2018/19). No such loans have been made since 2012/13.

The Council's activities expose it to a variety of financial risks, the key risks are:

- 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 rate movements.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are only made with banks and financial institutions which are included as counterparties in the Council's Investment Strategy, which regards the successful identification, monitoring and control of risk to be the prime criteria. The Council has a policy of tiered maximum investments with the uppermost limit not more than £10m of its surplus balances to any one institution. With no historical experience of default, the exposure to credit risk on bank deposits and investments is not considered material. The main exposure to credit risk relates to housing rents where a provision for bad debts is made.

Where sums are owed by the Council's customers and contractual debtors the Council makes provision for doubtful debt, detailed in Note 16, based on an assessment of the risks for each type and the age of those debts, the Council does not generally extend credit beyond 21 days.

#### Debtors

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

	2020	
	Customer Debt £000s	Other Debtors £000s
Balance as at 1 April	(1,854)	(575)
Additional provisions	(607)	(442)
Amounts used	217	244
<b>Balance as at 31 March</b>	<b>(2,244)</b>	<b>(773)</b>

	2019	
	Customer Debt £000s	Other Debtors £000s
Balance as at 1 April	(1,963)	(855)
Adjustment	(15)	385
Additional provisions	(129)	(539)
Amounts used	253	434
<b>Balance as at 31 March</b>	<b>(1,854)</b>	<b>(575)</b>

The Council does not usually extend credit beyond 21 days. The system debtors balance as at 31 March 2020 was £1.090m (£1.008m as at 31 March 2019) and is analysed further below.

	31 March	
	2020 £000s	2019 * £000s
<b>Customer Debts:</b>		
Less than 3 months	757	616
More than 3 months	333	392
<b>Balance as at 31 March</b>	<b>1,090</b>	<b>1,008</b>

#### Investments

The risk is minimised through the Annual Investment Strategy, which requires that deposits are made with Debt Management Office, other local authorities, AAA rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. A limit of £10m is placed on the amount of money that can be invested with a single counterparty excepting UK Central Government which is unlimited. The Council also sets a total group investment limit (£10m) for institutions that are part of the same banking group.

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2020, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

The amounts below include the money market fund which is included in cash and cash equivalents.

#### Balances Invested as at 31 March 2020

	Credit Rating Criteria Met	Up to 1 Month £000s	1 - 3 Months £000s	4 - 6 Months £000s	7 - 12 Months £000s	Greater than 12 Months £000s	Total £000s
Banks UK	YES	1,000	2,000	2,000	-	-	5,000
South Cambs Ltd	YES	-	-	-	-	71,644	71,644
Housing Assoc	YES	-	3,500	1,500	-	-	5,000
Local Authorities	YES	9,500	-	-	-	-	9,500
CLIC	YES	-	-	-	-	2,400	2,400
Money Market Funds	YES	9,860	-	-	-	-	9,860
<b>Total</b>		<b>20,360</b>	<b>5,500</b>	<b>3,500</b>	<b>-</b>	<b>74,044</b>	<b>103,404</b>

CLIC- Cambridge Leisure and Ice Centre

#### Balances Invested as at 31 March 2019

	Credit Rating Criteria Met	Up to 1 Month £000s	1 - 3 Months £000s	4 - 6 Months £000s	7 - 12 Months £000s	Greater than 12 Months £000s	Total £000s
Banks UK	YES	-	-	-	18,075	-	18,075
Building Societies	YES	-	2,000	-	1,000	-	3,000
South Cambs Ltd	YES	-	-	-	-	58,653	58,653
Housing Assoc	YES	-	1,000	4,000	-	-	5,000
Local Authorities	YES	-	-	4,500	-	-	4,500
CLIC	YES	-	-	-	-	1,255	1,255
Money Market Funds	YES	7,175	-	-	-	-	7,175
<b>Total</b>		<b>7,175</b>	<b>3,000</b>	<b>8,500</b>	<b>19,075</b>	<b>59,908</b>	<b>97,658</b>

#### Liquidity Risk

All trade and other payables are due to be paid in less than one year. The PWLB loans have maturities of between 25 and 40 years as detailed in Note 13, interest being paid half yearly, a Repayment Reserve being used to manage the future repayment of principal.

### Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments as most investments are at fixed rates. Movement in interest rates can have an impact on the Council's interest receipts from investments; for example, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall (but the carrying amount will not change)

As most investments are at fixed rates, a sensitivity analysis for interest rate changes has not been carried out.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget which is used to update the Council's medium term financial strategy periodically during the year, this allows any adverse changes to be accommodated.

### Price Risk

The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price variations.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 33. Capital Commitments

Material capital commitments as at 31 March 2020 were £16.977m on Housing (£9.047m as at 31 March 2019). The significant increase year on year is due to additional new build sites, including some large schemes; Babraham Road (Sawston) and Bennell Farm (Toft) and Hardwick.

## 34. Assets Held for Sale

	2020 £000s	2019 £000s
<b>Cost or valuation</b>		
<b>At 1 April</b>	2,123	2,076
Adjustments	-	(356)
Revaluation decrease recognised in the CIES	-	(112)
Derecognition - Disposals	(559)	(534)
Other movements / reclassifications within assets	(1,564)	1,048
<b>At 31 March</b>	-	<b>2,123</b>

## 35. INTANGIBLE ASSETS

	2020 £000s	2019 £000s
<b>At 1 April</b>	482	494
Additions- Purchase only	211	117
Depreciation	(159)	(129)
<b>At 31 March</b>	<b>535</b>	<b>482</b>

## 36. Contingencies

There were no material contingent assets to report for the Council as at 31 March 2020.

## Housing Revenue Account Income and Expenditure

The HRA Income and Expenditure Statement shows the economic cost in the year for providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	Note	2019/20 £000s	2018/19 £000s
<b>Income</b>			
Dwelling Rents	H3	(28,002)	(28,082)
Non Dwelling Rents		(422)	(425)
Charges for Services and Facilities		(1,917)	(1,941)
Revaluation Gains of non-current assets		(2,325)	
<b>Contributions towards expenditure:</b>			
* General Fund		(83)	(83)
* Other Sources		(120)	(2)
<b>Total Income</b>		<b>(32,869)</b>	<b>(30,532)</b>
<b>Expenditure</b>			
Repairs and Maintenance		4,211	3,950
<b>Supervision and Management:</b>			
* General		2,682	2,583
* Repairs and Maintenance		1,851	1,365
* Special Services		1,756	1,763
Rents, Rates and Other Charges		198	170
<b>Depreciation and Amortisation:</b>			
* Depreciation	H8	6,545	6,634
* Impairment / Revaluation down	H9	3,776	8,393
Treasury Management Costs		24	8
Increase in Provision for Bad/Doubtful Debts		113	104
<b>Total Expenditure</b>		<b>21,156</b>	<b>24,970</b>
<b>Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement</b>			
		<b>(11,715)</b>	<b>(5,562)</b>
HRA services share of Corporate Expenses		790	1,170
<b>Net (Income) of HRA Services</b>		<b>(10,925)</b>	<b>(4,391)</b>
<b>HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement</b>			
		<b>(10,925)</b>	<b>(4,391)</b>
(Gain) on Sale of HRA Non-Current Assets	H10	(1,687)	(2,898)
Interest Payable and similar charges		7,185	7,193
Interest and Investment Income		(1,026)	(760)
Pensions Interest / Return on Assets		234	201
Capital Grants and Contributions	H10	(890)	(751)
<b>(Surplus) for the Year on HRA Services</b>		<b>(7,109)</b>	<b>(1,406)</b>

## Movement on Housing Revenue Account Statement

The Housing Revenue Income and Expenditure Statement shows the Council's actual financial performance for the year in managing its housing stock, measured in terms of the resources consumed and generated over the last twelve months. However,

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government is treated as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than from council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits earned.

The Housing Revenue Account Statement compares the Council's spending against the Income that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for the future.

This reconciliation statement summarises the differences between the outturn in the Housing Revenue Income and Expenditure Statement and the Housing Revenue Account balance.

Note 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

<b>Increase / decrease in the Housing Revenue Account Balance</b>	<b>Note</b>	<b>2019/20 £000s</b>	<b>2018/19 £000s</b>
(Surplus) for the year on the Housing Revenue Account Income and Expenditure Statement		(7,109)	(1,406)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	<b>H10</b>	12,907	1,490
Transfers to/from Earmarked Reserves	<b>H10</b>	-	-
<b>Decrease in the Housing Revenue Account Balance</b>		<b>5,798</b>	<b>84</b>
Housing Revenue Account Surplus Brought Forward		(10,012)	(10,096)
<b>Housing Revenue Account Surplus Carried Forward</b>		<b>(4,214)</b>	<b>(10,012)</b>

## Notes to the Housing Revenue Statement of Accounts

### H1. Housing Stock Volumes

The Housing Revenue Account includes all the expenditure and income associated with the following stock of Housing Revenue Account dwellings:

	2019/20				2018/19
	Conv- ersion	Additions	Disposals	Total	Total
1 Bedroom	0	12	(4)	1,065	1,057
2 Bedroom	0	22	(7)	2,354	2,338
3 Bedroom	0	4	(14)	1,847	1,857
4+ Bedroom	0	0	(3)	69	72
	<b>0</b>	<b>38</b>	<b>(27)</b>	<b>5,335</b>	<b>5,324</b>

	31 March	
	2020	2019
Stock (Whole Property Equivalent) as at 1 April	5,324	5,306
Less: Sales (Right to Buy)	(19)	(15)
Stock Transfers /	0	0
Other Movements *	(8)	(8)
New Properties #	38	40
<b>Stock as at 31 March</b>	<b>5,335</b>	<b>5,324</b>
Number: Houses and Bungalows	5,089	5,090
Flats and Maisonettes	246	234
Other	0	0
<b>Stock as at 31 March</b>	<b>5,335</b>	<b>5,324</b>

\* Other Movements include; equity share and shared ownership sales, demolitions and non-RTB sales

# New Properties include; New Builds and equity share and shared ownership acquisitions

### H2. Housing Stock Values

The total balance sheet values of dwellings and other property and land within the HRA are;

	31 Mar 2020		31 Mar 2019	
	Asset Value	Depreciation	Asset Value	Depreciation
	£000s	£000s	£000s	£000s
Council Dwellings (HRA only)	490,727	6,424	463,893	(6,562)
Depreciation adj. on revaluation	0	(6,424)	0	6,562
Other Land and Buildings	26,094	(107)	18,547	(58)
Depreciation adj. on revaluation	0	107	0	58
Surplus assets held	1,573	0	2,731	0
Infrastructure	131	15	117	(15)
	<b>518,525</b>	<b>15</b>	<b>485,288</b>	<b>(15)</b>

In 2019/20, depreciation on buildings is based on the asset lives as assessed by the Council's appointed valuers, Wilks, Head and Eve. Land is not depreciated. The dwellings are valued in accordance with Guidance on Stock Valuation for Resource Accounting issued by the Office of the Deputy Prime Minister. This requires the dwellings to be valued at open market value with vacant possession, which is then adjusted to reflect tenancies at less than open market rents by using an adjustment factor based on the ratio of local authority rents to open market rents for the relevant region. The adjustment factor for the eastern region is 38%.

The value of council dwellings (Housing Revenue Account) as at 31 March 2020, based on vacant possession, was £1,289m (£464.449m as at 31 March 2019).

### H3. Gross Dwelling Rent Income

During 2019/20, 0.94% (0.95% in 2018/19) of all lettable dwellings were vacant. Average rents were £101.19 (£103.67 in 2018/19) per week including affordable rents, a decrease of £0.78 or 0.8% (£0.98 or 0.95% decrease in 2018/19) on the previous year. 43.12% (51.68% in 2018/19) of all Council tenants received some help through rent rebates in 2019/20. Rent arrears increased to £694,287 (£576,934 in 2018/19), which represents 2.45% (2.05% in 2018/19) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £528,622 (£414,969 in 2018/19). Amounts written off during the year totalled £483 (£41,120 in 2018/19). Dwelling rents are shown after allowing for voids.

### H4. Rent Arrears on Dwellings

	31 March	
	2020 £000s	2019 £000s
Arrears	694	577
Provision for uncollectable amounts	(529)	(415)
Arrears as a percentage of gross rents collectable	2.45%	2.05%

### H5. Pensions

HRA share of the contribution to the Pension Reserve in 2019/20 was £591k (£462k in 2018/19).

### H6. Housing Revenue Account Capital Receipts

The Council received £5,766,454 (£5,441,825 in 2018/19) in respect of HRA capital receipts during 2019/20. This arose as a result of the sale of council houses £4,848,200 (£4,875,075 in 2018/19), and sale of Land £918,254 (£566,750 in 2018/19). Of this the Council had £2,115,868 (£2,122,454 in 2018/19) available for house building projects and £30,770 (£19,571 in 2018/19) for the administration of the sales which left £3,145,372 (£2,863,411 in 2018/19) to fund other capital projects and pay the central government pool an amount of £474,443 (£523,381 in 2018/19).

### H7. Capital Expenditure, Financing and Receipts

Capital expenditure and financing relating to the HRA during the financial year was:

	31 March	
	2020 £000s	2019 £000s
<b>Opening capital financing requirement</b>	204,429	204,429
<u>Expenditure:</u>		
* Acquisition and Improvement of land	16	92
* New build- dwellings	16,332	8,040
* Re-provision of existing dwellings	-	799
* Acquisition of existing dwellings	506	54
* Improvement of housing stock and other buildings	5,738	6,639
<u>Financing:</u>		
* Capital receipts and contributions	(3,850)	(2,881)
* Revenue #	(12,113)	(5,538)
* Grants and Reserves	(890)	(751)
* Major Repairs Allowance	(5,738)	(6,455)
* GF Internal Financing	-	-
<b>Closing capital financing requirement</b>	<b>204,429</b>	<b>204,429</b>

# In addition, £0.261m was spent relating to HRA contribution to Capital Expenditure on IT and Software



Capital receipts relating to the HRA during the financial year were:

	31 March	
	2020 £000s	2019 £000s
Sale of Land	918	567
<u>Sale of Dwelling:</u>		
* Right to Buy	3,264	2,739
* Other	1,559	2,136
<b>Total</b>	<b>5,741</b>	<b>5,442</b>

#### H8. Major Repairs Reserve

Previously, within the housing subsidy scheme, there was an annual allowance for major repairs which could only be used for expenditure on major repairs and/or improvements to Housing Revenue Account dwellings. The housing subsidy scheme and, therefore the Major Repairs Allowance, ceased at the end of 2011/12 with the advent of the Self Financing regime. In 2012/13 the Council was required to charge the Housing Revenue Account a notional amount for depreciation; calculated in a similar way to the major repairs allowance. The notional depreciation charge is reserved to fund similar major repairs and improvement works. The transition period continued until the end of 2016/17, with a full depreciation charge equivalent to the whole capital adjustment transfer being charged to the Housing Revenue Account from 2017/18 onwards.

	2019/20		2018/19	
	£000s	£000s	£000s	£000s
<b>Balance as at 1 April</b>		-		-
Transfer to Capital Adjustment Account	(6,545)		(6,634)	
Amount transferred to Statement of Movement on HRA capital expenditure charged to Major Repairs	-		-	
	5,738		6,634	
<b>Total Expenditure</b>		<b>(807)</b>		-
<b>Balance as at 31 March</b>		<b>(807)</b>		-

#### H9. Impairment / revaluation down

Impairment is a reduction in the value of non-current assets. When this occurs through the clear consumption of economic benefit or through market value reduction, it has been identified and is written off against revaluation gains in the Revaluation Reserve for the group of assets until the gain is reduced to zero and then any balance is charged to Housing Revenue Income and Expenditure Account.

#### H10. Note of Reconciling Items for the Statement of Movement on HRA Balance

	2019/20 £000s	2018/19 £000s
<b>(Surplus) for the year on the HRA Income and Expenditure Account</b>	<b>(7,109)</b>	<b>(1,406)</b>
Gain on sale of HRA non-current assets	1,662	2,898
HRA share of contributions to the Pensions Reserve	(591)	(462)
Reversal of Depreciation and Impairment	-	
Depreciation	(6,545)	(6,634)
Revaluation	(1,426)	(8,390)
Capital Grants and Contributions	890	751
Transfer from Major Repairs Reserve	6,545	6,634
Capital Expenditure funded by the HRA	12,372	6,693
<b>Adjustments between accounting basis and funding basis under statute (including to or from reserves)</b>	<b>12,907</b>	<b>1,490</b>
<b>Net increase before transfers to/from reserves</b>	<b>5,799</b>	<b>84</b>
Transfers To Earmarked Reserves	-	-
<b>Decrease in the HRA balance for the year</b>	<b>5,799</b>	<b>84</b>
HRA balance brought forward	(10,012)	(10,096)
<b>HRA balance carried forward</b>	<b>(4,214)</b>	<b>(10,012)</b>

## The Collection Fund

This account reflects the statutory requirement for the Council, as the billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates).

	Note	2019/20			2018/19		
		Non Domestic Rates £000s	Council Tax £000s	Collection Fund Total £000s	Non Domestic Rates £000s	Council Tax £000s	Collection Fund Total £000s
<b>Income</b>							
Council Tax	CF1	-	(116,519)	(116,519)	-	(108,517)	(108,517)
Non Domestic Rates	CF2	(90,483)	-	(90,483)	(89,604)	-	(89,604)
<b>Total Income</b>		<b>(90,483)</b>	<b>(116,519)</b>	<b>(207,002)</b>	<b>(89,604)</b>	<b>(108,517)</b>	<b>(198,121)</b>
<b>Expenditure</b>							
<b>Apportionment of previous years surplus/(deficit)</b>							
Central Government		4,333	-	4,333	3,899	-	3,899
Cambridgeshire County Council		780	450	1,230	702	542	1,244
Cambridgeshire and Peterborough Fire Authority		87	25	111	78	30	108
Cambridgeshire Police and Crime Commissioner		-	72	72	-	85	85
South Cambridgeshire District Council		3,467	82	3,549	3,119	99	3,218
<b>Precepts and Demands</b>							
Central Government		42,407	-	42,407	40,334	-	40,334
Cambridgeshire County Council		7,633	82,107	89,740	7,260	76,752	84,012
Cambridgeshire and Peterborough Fire Authority		848	4,427	5,275	807	4,223	5,030
Cambridgeshire Police and Crime Commissioner		-	13,933	13,933	-	12,203	12,203
South Cambridgeshire District Council		33,925	9,093	43,018	32,266	8,617	40,883
Special Expenses- Parish Precepts		-	5,618	5,618	-	5,397	5,397
<b>Charges to the Collection Fund</b>							
Write Offs / (write backs)		(3)	10	7	-	14	14
BDP charge for year		327	246	573	106	96	202
Provision for Appeals		2,437	-	2,437	1,659	-	1,659
Cost of Collection Allowance		235	-	235	231	-	231
Transitional Payment Protection (TPP)		(270)	-	(270)	-	-	-
Disregarded Amounts		1,365	-	1,365	1,756	-	1,756
<b>Total Expenditure</b>		<b>97,571</b>	<b>116,062</b>	<b>213,633</b>	<b>92,216</b>	<b>108,059</b>	<b>200,275</b>
<b>Deficit / (Surplus) for the Year</b>		<b>7,088</b>	<b>(457)</b>	<b>6,631</b>	<b>2,612</b>	<b>(458)</b>	<b>2,154</b>
<b>Balance Brought Forward</b>		<b>(5,332)</b>	<b>(1,270)</b>	<b>(6,602)</b>	<b>(7,944)</b>	<b>(812)</b>	<b>(8,756)</b>
<b>Balance Carried Forward</b>		<b>1,756</b>	<b>(1,727)</b>	<b>29</b>	<b>(5,332)</b>	<b>(1,270)</b>	<b>(6,602)</b>

### Collection Fund balances:

Attribution of deficit / (surplus) carried forward:

	Note	2019/20			2018/19		
		Non Domestic Rates £000s	Council Tax £000s	Collection Fund Total £000s	Non Domestic Rates £000s	Council Tax £000s	Collection Fund Total £000s
<b>Proportional split</b>							
Central Government		878	-	878	(2,666)	-	(2,666)
Cambridgeshire County Council		158	(1,231)	(1,073)	(480)	(909)	(1,389)
Cambridgeshire and Peterborough Fire Authority		18	(66)	(49)	(53)	(50)	(103)
Cambridgeshire Police and Crime Commissioner		-	(210)	(210)	-	(145)	(145)
<b>Total</b>		<b>1,054</b>	<b>(1,507)</b>	<b>(454)</b>	<b>(3,199)</b>	<b>(1,104)</b>	<b>(4,303)</b>
South Cambridge District Council		702	(220)	482	(2,133)	(166)	(2,299)
<b>Deficit / (Surplus)</b>		<b>1,756</b>	<b>(1,727)</b>	<b>29</b>	<b>(5,332)</b>	<b>(1,270)</b>	<b>(6,602)</b>

## Notes to the Collection Fund

### CF1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cambridgeshire County Council, Cambridgeshire and Peterborough Police and Crime Commissioner, Cambridgeshire Fire and Rescue Service and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: 62,576.3 for 2019/20, (61,410.4 for 2018/19). The basic amount of Council Tax for a Band D property £1,750.82 for 2019/20, (£1,657.62 for 2018/19) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	4.8	4.8	5/9	2.6
Band A	1,987.5	1,987.5	6/9	1,325.0
Band B	6,369.6	6,369.6	7/9	4,954.1
Band C	18,646.0	18,646.0	8/9	16,574.2
Band D	11,518.7	12,941.1	9/9	12,941.1
Band E	10,422.8	10,422.8	11/9	12,738.9
Band F	7,240.5	7,240.5	13/9	10,458.5
Band G	4,151.0	4,151.0	15/9	6,918.3
Band H	362.0	362.0	18/9	724.0
<b>Total Band D</b>	<b>60,702.8</b>	<b>62,125.2</b>		<b>66,636.8</b>
Less Band D equivalents entitled to Council Tax Support				(3,765.0)
MOD contribution				81.7
<b>Total Band D Equivalents</b>				<b>62,953.5</b>
Less Adjustment for Collection Rate		99.4%		(377.2)
<b>Council Tax Base</b>				<b>62,576.3</b>

Income of £116.519m for 2019/20 (£108.517m for 2018/19) was receivable from council tax payers.

## CF2. Non Domestic Rates

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 49.1p (small business) and 50.4p (others) in 2019/20, (48p (small business) 49.3p (others) in 2018/19) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1 April 2013 Business Rates Retention was introduced whereby Local Authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Cambridgeshire County Council (9%) and Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

If the Council increases its business rates base and therefore income it is allowed to retain a proportion of this increased income whilst paying up to 50% to Central Government. This payment is known as a levy payment.

If a reduction of business rates income of more than 7.5% of its funding baseline has occurred then the government will make up any difference between this and the actual loss in the form of a safety net payment.

The total non-domestic rateable value at the year-end was £189,016,311 (£189,455,311 in 2018/19).

## Group Accounts and Consolidation with the Council

The Council has two wholly owned subsidiaries South Cambs Limited (Ermine Street Housing) and Shire House Lettings Limited. As a result a set of Group Accounts for the Group as a whole are produced. The Accounts have been consolidated on a line by line basis, as per IFRS10.

The impact of the Companies activities upon the Reserves of the Group are detailed in Note G1. Context of Group Accounts and Consolidation with the Council

### Group - Comprehensive Income and Expenditure

This statement shows the cost in the year of providing services in accordance with generally accepted accounting practices. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is reflected in the 'Revenue Purpose' column of the Movement In Reserves Statement which shows how the Total Comprehensive Income and Expenditure is allocated to each individual Reserve.

	2019/20			Restated 2018/19		
	Gross Expenditure £000s	Income £000s	Net Expenditure £000s	Gross Expenditure £000s	Income £000s	Net Expenditure £000s
<b>Group</b>						
Corporate Services	36,735	(31,510)	5,225	36,898	(33,241)	3,657
All other reporting segments (same as Council- single entity)	56,527	(47,680)	8,847	54,860	(45,681)	9,179
<b>Net Cost of Services</b>	<b>93,262</b>	<b>(79,190)</b>	<b>14,072</b>	<b>91,758</b>	<b>(78,922)</b>	<b>12,836</b>
Other Operating Expenditure			4,798			2,706
Financing and Investment Income and Expenditure			6,048			7,932
Taxation and Non-Specific Grant Income			(27,004)			(28,073)
<b>(Surplus) on Provision of Services</b>			<b>(2,086)</b>			<b>(4,599)</b>
Tax Expenses of Subsidiaries			603			162
<b>Group (Surplus) on Provision of Services</b>			<b>(1,483)</b>			<b>(4,437)</b>
Other Comprehensive (Income) and Expenditure			(46,574)			19,371
<b>Total Comprehensive (Income) and Expenditure</b>			<b>(48,057)</b>			<b>14,934</b>

## Group - Movement in Reserves Statement

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

	General Fund Balance	Ear-marked Reserves (GF)	Housing Revenue Account	Ear-marked Reserves (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Un-applied	South Cambs LTD (Ermine St. Hou)	Shire Homes Lettings	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Movements in 2018/19</b>												
<b>Balance as at 1 April 2018</b>	(10,568)	(22,371)	(10,096)	(9,500)	-	(9,591)	(515)	(770)	-	(63,411)	(258,437)	(321,848)
(Deficit) / Surplus on Provision of Services	(3,061)	-	(1,406)	-	-	-	-	30	-	(4,437)	-	(4,437)
Other Comprehensive Income and Exp.	-	-	-	-	-	-	-	-	-	-	19,371	19,371
<b>Total Comprehensive Income and Exp.</b>	<b>(3,061)</b>	<b>-</b>	<b>(1,406)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>(4,437)</b>	<b>19,371</b>	<b>14,934</b>
Adjustment Between Accounting and Funding Basis Under Regulations	(5,714)	-	1,490	-	-	(1,461)	(143)	-	-	(5,828)	5,829	-
<b>Net (Decrease) / Increase before Transfer to Earmarked Reserves</b>	<b>(8,775)</b>	<b>-</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>(1,461)</b>	<b>(143)</b>	<b>30</b>	<b>-</b>	<b>(10,265)</b>	<b>25,200</b>	<b>14,934</b>
Transfer to Earmarked Reserves	5,911	(5,911)	-	-	-	-	-	-	-	-	-	-
<b>(Decrease) / Increase in Year</b>	<b>(2,864)</b>	<b>(5,911)</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>(1,461)</b>	<b>(143)</b>	<b>30</b>	<b>-</b>	<b>(10,265)</b>	<b>25,200</b>	<b>14,934</b>
<b>Balance as at 31 March 2019</b>	<b>(13,432)</b>	<b>(28,282)</b>	<b>(10,012)</b>	<b>(9,500)</b>	<b>-</b>	<b>(11,052)</b>	<b>(658)</b>	<b>(740)</b>	<b>-</b>	<b>(73,676)</b>	<b>(233,237)</b>	<b>(306,914)</b>
<b>Movements in 2019/20</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Balance as at 1 April 2019</b>	(13,432)	(28,282)	(10,012)	(9,500)	-	(11,052)	(658)	(740)	-	(73,676)	(233,237)	(306,914)
Surplus / (Deficit) on Provision of Services	7,492	-	(7,109)	-	-	-	-	(1,864)	(2)	(1,483)	-	(1,483)
Other Comprehensive Income and Exp.	-	-	-	-	-	-	-	-	-	-	(46,574)	(46,574)
<b>Total Comprehensive Income and Exp.</b>	<b>7,492</b>	<b>-</b>	<b>(7,109)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,864)</b>	<b>(2)</b>	<b>(1,483)</b>	<b>(46,574)</b>	<b>(48,057)</b>
Adjustment Between Accounting and Funding Basis Under Regulations	(9,224)	-	12,907	-	(807)	(779)	(20)	-	-	2,076	(2,076)	-
<b>Net (Decrease) / Increase before Transfer to Earmarked Reserves</b>	<b>(1,733)</b>	<b>-</b>	<b>5,799</b>	<b>-</b>	<b>(807)</b>	<b>(779)</b>	<b>(20)</b>	<b>(1,864)</b>	<b>(2)</b>	<b>593</b>	<b>(48,650)</b>	<b>(48,057)</b>
Transfer to Earmarked Reserves	1,410	(1,410)	-	-	-	-	-	-	-	(0)	-	-
<b>(Decrease) / Increase in Year</b>	<b>(323)</b>	<b>(1,410)</b>	<b>5,799</b>	<b>-</b>	<b>(807)</b>	<b>(779)</b>	<b>(20)</b>	<b>(1,864)</b>	<b>(2)</b>	<b>592</b>	<b>(48,650)</b>	<b>(48,057)</b>
<b>Balance as at 31 March 2020</b>	<b>(13,755)</b>	<b>(29,692)</b>	<b>(4,214)</b>	<b>(9,500)</b>	<b>(807)</b>	<b>(11,831)</b>	<b>(678)</b>	<b>(2,604)</b>	<b>(2)</b>	<b>(73,084)</b>	<b>(281,887)</b>	<b>(354,971)</b>

## Group - Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.

	Note	31 March 2020		31 March 2019	
		£000s	£000s	£000s	£000s
<b>Long Term Assets</b>					
Property, Plant and Equipment		549,334		509,088	
Investment Properties	<b>G2</b>	100,249		60,560	
Intangible Assets		535		482	
Long Term Investments		2,496		1,255	
Long Term Debtors		747		969	
<b>Total Long Term Assets</b>			<b>653,360</b>		<b>572,354</b>
<b>Current Assets</b>					
Short Term Temporary Investments		10,108		30,732	
Inventories		288		163	
Debtors and Prepayments		5,899		9,921	
Cash and Cash Equivalents		19,923		7,866	
Assets Held for Sale		-		2,123	
			<b>36,218</b>		<b>50,805</b>
<b>Current Liabilities</b>					
Short Term Creditors		(52,809)		(32,162)	
Revenue Grants- Receipts in Adv.		(2,400)		-	
Short Term Borrowing		(10,000)		(3,000)	
Cash and Cash Equivalents		(1,301)		(1,402)	
Provisions		(7,122)		(3,762)	
Short Term Leases		0		-	
			<b>(73,632)</b>		<b>(40,326)</b>
<b>Long Term Liabilities</b>					
Pensions Liability		(57,352)		(70,548)	
Long Term Borrowing		(202,917)		(205,123)	
Long Term Prov. (Tax) (Group only)		(706)		(249)	
Long Term Leases		(0)		-	
			<b>(260,975)</b>		<b>(275,920)</b>
<b>Total Assets Less Liabilities</b>			<b>354,971</b>		<b>306,913</b>
<b>Usable Reserves</b>					
Usable Reserves		73,084		73,679	
<b>Unusable Reserves</b>					
Unusable Reserves		281,887		233,234	
<b>Total Reserves</b>			<b>354,971</b>		<b>306,913</b>



## Group - The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	<b>2019/20</b> <b>£000s</b>	<b>2018/19</b> <b>£000s</b>
Net Surplus on Provision of Services	1,483	4,492
Adjustments to net surplus or deficit on the provision of services for non-cash movements	49,730	26,344
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	12,089	(4,440)
	<b>63,301</b>	<b>26,396</b>
Net cash flows from Operating Activities	63,301	26,396
Investing Activities	(32,648)	(26,013)
Financing Activities	(18,495)	(976)
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	<b>12,158</b>	<b>(593)</b>
Cash and Cash Equivalents at the beginning of the reporting period	6,464	7,057
<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>18,622</b>	<b>6,464</b>

## Notes to the Group Accounts

### G1. Restatement of Group Accounts 2018/19

The Council has two wholly owned subsidiaries South Cambs Limited (Ermine Street Housing) and Shire House Lettings Limited. As a result of the introduction of the new leases standard (IFRS 16) which came into effect 1 April 2019 the subsidiary accounts for 2018/19 were restated from the previous audited accounts.

### G2. Context of Group Accounts and Consolidation with the Council

The Council has two wholly owned subsidiaries South Cambs Limited (Ermine Street Housing) and Shire House Lettings Limited. As a result a set of Group Accounts for the Group as a whole are produced. The Accounts have been consolidated on a line by line basis, as per IFRS10.

In preparing the Group Financial Statements the Council has aligned the accounting policies of all group entities with those of the Council.

The impact of the Companies' activities upon the Reserves of the Group are as follows;

	<b>Restated 31 Mar 19 £000s</b>	<b>In year Movement £000s</b>	<b>31 Mar 2020 £000s</b>
Turnover	-	(5,525)	<b>(5,525)</b>
Service Expenses	-	2,713	<b>2,713</b>
Interest Payable	-	2,754	<b>2,754</b>
Interest and Investment Income Receivable	-	(3)	<b>(3)</b>
Gain/Loss on FV of Investment Properties	-	(2,415)	<b>(2,415)</b>
Tax Liability	-	603	<b>603</b>
Useable Reserves	<b>(514)</b>	(1,874)	<b>(2,388)</b>
Un-Useable Reserves	-	-	-
<b>Total company reserves position of Group Balance Sheet</b>	<b>(514)</b>	<b>(1,874)</b>	<b>(2,388)</b>
Represented by:			
South Cambs LTD	<b>(524)</b>	(1,874)	<b>(2,398)</b>
Shire Homes Lettings LTD	<b>10</b>	0	<b>10</b>
<b>Total company reserves position of Group Balance Sheet</b>	<b>(514)</b>	<b>(1,874)</b>	<b>(2,388)</b>

The Assets and Liabilities of the Company's at the Balance Sheet Date are as follows:

	<b>SC Ltd £000s</b>	<b>Shire Homes £000s</b>	<b>Inter Company £000s</b>	<b>31 Mar 2020 £000s</b>
Property, Plant, Equipment	486	599	-	1,085
Investment Properties	75,649	-	-	75,649
Company Share Capital - Council Investment	2,398	(10)	-	2,387
Short Term Debtors and Cash	674	102	(33)	743
Short Term Creditors	(66,642)	(99)	63,801	(2,941)
Short Term Leases	(347)	(341)	-	(688)
Long Term Borrowing	(6,510)	-	8,716	2,205
Long Term Provisions (Tax)	(706)	-	-	(706)
Long Term Leases	(205)	(271)	-	(476)
<b>Total assets net of Council share</b>	<b>4,795</b>	<b>(21)</b>	<b>72,483</b>	<b>77,258</b>

### G3. Investment Properties

The group balance sheet includes properties which have been purchased by South Cambs Ltd for the purpose of earning rentals or for capital appreciation or both, properties for refurbishment, improvement and resale are classified as stock in hand and are included within Inventories.

The Council carries out a programme that ensures that all Investment Property are valued annually, at the end of each reporting period. Property, Plant and Equipment is required to be measured at fair value and is re-valued at least every five years.

Valuations on the bases set out in the statement of accounting policies have been carried out for: Investment Property assets relating to South Cambs Limited as at 31 March 2020 by Wilks, Head and Eve, Professional Valuers

The following items of income and expense have been accounted for in respect of Investment Properties and have been recognised in the company Income and Expenditure Account and Group comprehensive income and expenditure account.

	SCDC £000s	SC Ltd £000s	2019/20 £000s	2018/19 £000s
Rental Income	(850)	(4,970)	(5,820)	(3,775)
Direct Expenses	57	3,994	4,050	2,789
<b>Total</b>	<b>(794)</b>	<b>(976)</b>	<b>(1,770)</b>	<b>(985)</b>

The Council is not aware of any events or circumstances which indicate that the amounts stated in the balance sheet for non-current assets may not be realisable, as at the balance sheet date.

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

	SCDC £000s	SC Ltd £000s	2019/20 £000s	2018/19 £000s
<b>At 1st April</b>				<b>36,763</b>
Realloc. of IP				
Acquisitions	25,400	12,673	38,073	23,485
Revaluation inc/(dec) in CIES	(800)	2,415	1,616	311
<b>At 31st March</b>	<b>24,600</b>	<b>75,649</b>	<b>100,249</b>	<b>60,559</b>
<b>Fair Value:</b>				
<b>At 1st April</b>	<b>-</b>	<b>60,560</b>	<b>60,560</b>	<b>36,763</b>
<b>At 31st March</b>	<b>24,600</b>	<b>75,649</b>	<b>100,249</b>	<b>60,559</b>

#### Fair Value Measurement of Investment Properties

Investment properties are held at fair value. Investment properties are classified as Level 2 within the value hierarchy as defined within IFRS13. Level 2 inputs used in valuing the properties are those which are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

The portfolio is valued in line with the accounting policy.

The valuation is undertaken by the Professional Valuer, Wilks, Head and Eve, on a fair value basis in line with IFRS13 and in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Valuation-Professional Standards.

South Cambs Limited provides data to the valuer including current lease and tenant data. These valuations and the assumptions they have made have been discussed with officers representing the company. The valuation technique applied in respect of Investment Property is the market approach. The market approach is described at paragraphs B5 to B7 of IFRS13; it uses prices and other relevant information generated by market transactions involving identical or comparable assets.

There has been no change in the valuation technique used during the year for investment properties.

#### G4. Loans and Investments

The Council has undertaken fixed term investments of £72.180m (£58.653m 2018/19) with South Cambs Ltd a corresponding liability transaction has been shown on the balance sheet of South Cambs Ltd these transactions have been eliminated in the group accounts.

#### G5. Leases

The Council has no finance or operating leases. Payments of £24,075 in respect of vehicle contract hire were made in 2019/20 (£84,719 in 2018/19). South Cambs Ltd has operating leases with payments of £612,652 in 2019/20 (£605,090 in 2018/19) in respect of property leases. Shire Homes Lettings Limited had payments of £322,594 in 2019/20 (£171,818 in 2018/19) in respect of property leases.

The future minimum contract hire payments due under non-cancellable agreements in future years are:

	SC Ltd £000s	Shire Homes £000s	31 Mar 2020 £000s	31 Mar 2019 £000s
Not later than 1 year	527	358	885	956
Later than 1 year, not later then 5 years	389	278	667	888
Later than 5 years	-	-	-	11
Future finance charges and other adj's	(363)	(25)	388	(732)
<b>Total</b>	<b>552</b>	<b>612</b>	<b>1,164</b>	<b>1,124</b>

#### G6. Related Party Transactions

The Council has two subsidiary companies wholly owned by the Council, South Cambs Limited (trading as Ermine Street Housing) and Shire Homes Lettings Limited. Transactions between these companies and the Council are accounted within the Councils group accounts. Council employee Mike Hill (unpaid) and Councillors Ian Sollom and John Batchelor are Directors of Ermine Street Housing. Mike Hill left this post in February 2020 and was replaced by Liz Bisset. Council employee Heather Wood (unpaid) and Councillor Peter Fane are Directors of Shire Homes Lettings Ltd.

# Annual Governance Statement

## Covering Introduction

The current status of this document is draft. It is unaudited and may be updated and amended.

The AGS has been published as required by relevant legislation:

<http://www.legislation.gov.uk/uksi/2015/234/regulation/15/made>. It has been prepared in accordance with regulation 6(1)(b). As a draft document the statement has not yet been approved in accordance with regulation 6(2)(b), and the final version will be approved by the Audit and Corporate Governance Committee in advance of the Statement of Accounts.

The AGS should reflect events in the relevant financial year, plus up to when the Accounts are approved by Committee. The document and action plan will continue to be developed during this period. The Covid-19 events in particular has had a significant effect on Councils since March 2020. Consequently, it is appropriate to reflect this in the AGS, and further updates may need to be included as guidance is issued from professional bodies and Central Government.

As the final version of the 2018/2019 AGS was approved as part of the statement of Accounts in April 2022, and reflects governance issues up to the data of approval it is important to note:

1. It is good practice to include an action plan which demonstrates how the Council is improving its governance arrangements; and this has not significantly changed;
2. Due to the time needed to approve the Statement of Accounts it is possible that further amendments may be required following consultation and review by the externally appointed auditors;

Despite the short period between both the AGS 2018/2019 and AGS 2019/2020 being produced, this still provides an opportunity for the Council to document what has happened in the 2019/2020 financial year, through the Review of Effectiveness.

An updated version of the Annual Governance Statement will be presented to the Committee with the Statement of Accounts.

The final version of the AGS, will accompany the Statement of Accounts for approval by the Committee, as required by the Accounts and Audit Regulations 2015.

## 1. 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

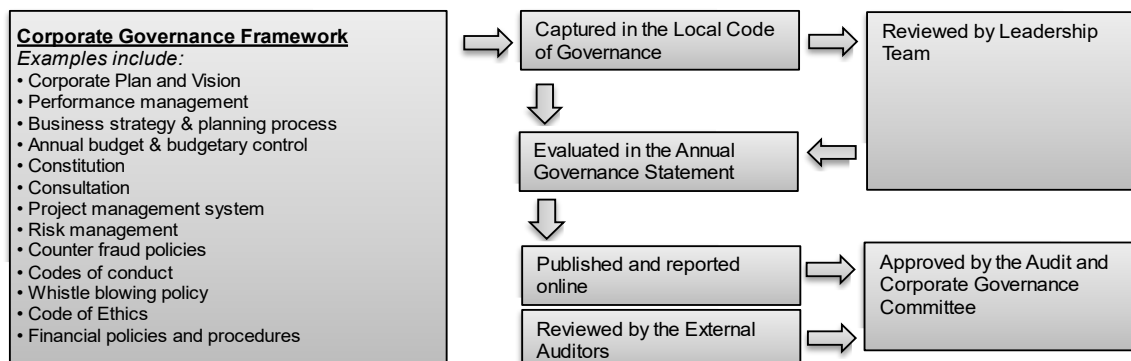
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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 governance framework for the 2019/20 financial year supports the Council aims and objectives, which are published on our website. The Vision was “Putting the heart into South Cambridgeshire” by:

- \* Helping businesses to grow;
- \* Building homes that are truly affordable to live in;
- \* Being green to our core;
- \* Putting our customers at the centre of everything we do.

This is supported by our Business Plan which sets out four Priority Areas with specific and measurable actions.

Performance against the Business Plan, is published in the Performance Page of our website.

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

## Local Code of Governance

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

This Governance Framework is recorded in our Local Code of Governance, 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

## 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
Council	Council agrees the budget and policy framework, such as the Corporate Plan, Medium Term Financial Strategy. Further details are published on our website.
Cabinet	This is the Council's principal decision making body charged with implementing the budget and policy framework agreed by Council. Further details are published on our website.
Leadership Team	<p>The management team structure includes a strategic Leadership Team and is supported by an operational Corporate Management Team. Both teams consider policy formulation and future planning</p> <p>The Chief Executive, and the Executive Director – Corporate Services, retired during the year. The Director of Health and Environmental Services was appointed to the role of Interim Chief Executive, and Liz Watts was substantively appointed to the role of Chief Executive in July 2019.</p>
Audit and Corporate Governance Committee	<p>The Audit and Corporate Governance 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 by examining areas such as audit, risk management, internal control, counter fraud and financial accountability.</p> <p>The Committee exists to challenge the way things are being done, making sure the right processes are in place. 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 website.</p>
Civic Affairs Committee	This committee reviews the Council's Constitution, including proposals for substantive changes for consideration by full Council. It also considers changes to electoral arrangements, setting ethical standards and monitoring the Councils Code of Conduct. Further details are published on our website.
Scrutiny and Overview committee	It monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement. Further details are published on our website.

## 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 on-going 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.

## **2. Other Review and Assurance Mechanisms**

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

### **Head of Internal Audit Opinion**

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

The audit opinion was presented to the Audit and Corporate Governance Committee in November 2020. This report outlined the key findings of the internal audit work undertaken during 2019/20, including any areas of significant weakness in the internal control environment.

From the audit reviews undertaken, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and reported to Audit and Corporate Governance 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 2019/20, and this remains at a similar level to the previous year.

### **External Audit**

Ernst and Young (now EY) are the appointed external auditor. Their results report (ISA260) was presented to the Audit and Corporate Governance committee in December 2019.

EY issued an "unqualified" audit opinion on the financial statements which provided assurance for the 2017/2018 Statement of Accounts. They issued a "qualified" value for money conclusion in respect of the Authority's proper arrangements to make informed decisions as a result of having reliable and timely financial reporting. This was because it was the third consecutive year that the Authority has been unable to prepare and publish its accounts by the dates outlined in the Accounts and Audit Regulations 2014. The 2018/2019 accounts were concluded in April 2022. This ongoing challenge is reflected in our Opportunities for Improvement.



### Public Services Network

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

### International Organisation for Standardisation (ISO)

During the year, the Greater Cambridge Shared Commercial Waste Service undertook two rounds of independent assessment for their accreditation of ISO14001 (Environmental Standard) and ISO9001 (Quality Management). In each instance the service was compliant in meeting the standards and retained their certification. Minor non-conformities, where identified, were recorded and managed through the Risk Management framework.

### Impact of Coronavirus

The pandemic Covid-19 had the potential to significantly impact the governance risk and control environment. Immediate threats included the Council's decision-making processes, risk management, and the overall capacity and capability of the Council. In the longer term it was also appropriate to consider the impact on our outcomes, financial and organisational resilience, stakeholder engagement and accountability.

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

In response to the pandemic the Council implemented various measures through its business continuity framework, with continuous risk management in this period. Examples included formation of task force, risk management, prioritisation of services, flexible working policies, and regular communication within the Council and the community. The relatively recent adoption of Council Anywhere technology helped the Council to continue working from remote locations and maintain service delivery. This has helped us to maintain our governance arrangements, and further specific reference due to the impact of Covid-19 are included below where it helps to communicate the impact.

## 3. Progress from the Last Annual Governance Statement

The Council prepared an Annual Governance Statement for 2018/19 which was approved by the Audit and Corporate Governance Committee. An update on the previous action plan is included below:

Action	Update and Status
<u>Review of the Constitution</u>	
The Civic Affairs Committee agreed to establish a Task and Finish group to undertake a comprehensive review of the Council's Constitution, including its codes and protocols, such as Committee terms of reference, and financial and procurement authorisation levels.	The final report of the Task and Finish Group was presented to Civic Affairs Committee in March 2020 and approved. Subsequently, full Council accepted the recommendation of Civic Affairs and adopted the revised Constitution, Ethical Handbook, Public Speaking Scheme and Petitions Scheme in May 2020.

---

## Digital Strategy

Recognising that it can be difficult to engage with customers and stakeholders, the Council is developing a digital strategy to help customers self-serve, whilst preserving appropriate channels for those that require them. Examples include “In Touch Project” to improve digital inclusion with Housing tenants and reviewing our “Community Engagement Strategy”.

The Council launched the self service portal: <https://mysouthcambs.scambs.gov.uk> and continues to work on digital transformation.

---

## Statement of Accounts

The Council completes Statement of Accounts, to report the financial position of the Council, and for both 16/17 and 17/18 these were not approved by the deadline.

An earlier timetable for completion was established as part of the Accounts and Audit regulations 2015 which the Council has not been able to complete. In addition, it is recognised that the external auditors have resource challenges and have had to prioritise resource elsewhere. Consequently, this has also impacted upon conclusion of the 18/19 accounts.

Both the Council and the externally appointed auditors have worked together to conclude these as promptly as possible.

It was not possible to meet the deadline, and updates have been regularly communicated to the Audit and Corporate Governance Committee.

The Statement of Accounts for 2018/2019 were approved in April 2022. The Council is in the process of agreeing a timetable with the auditors to get the accounts up to date as soon as possible with 2019/20 scheduled for completion in October 2022. This will be a challenging process that will require commitment from both the Council and the appointed auditors and close management will be required.

---

## Review of anti-fraud and corruption policies

The Council completes a continuous review of its counter fraud arrangements based on good practice. Policies are being reviewed to see if any improvements can be adopted and will be reported to the Audit and Corporate Governance Committee.

The policies were reviewed and approved by the Audit and Corporate Governance Committee in March 2022.

---

### Financial Management System

The Council is implementing a new Financial Management System, to develop resilience and introduce smarter ways of working. The core system was successfully implemented and is now being used throughout the Council. In addition, the Council is implementing a new Asset Management system, which will improve the data management and record keeping.

The Financial Management System is in place and working well and further system developments are currently being made. The new Asset Management System has been implemented. The improved data quality should help the Council to support prompt completion of the Statement of Accounts going forwards.

---

### Control Accounts

The Council reconciles control accounts to ensure that systems balance. These were not always completed promptly, throughout the year. The Finance team ensured these were completed for the system launch of the new Financial Management System, as data was migrated.

Management now have processes in place for monitoring reconciliations. Internal processes will also be reviewed to consider opportunities to simplify the reconciliation process and assist prompt completion.

---

### Organisational Development Strategy

The Council will complete a review of the Organisational Development Strategy which will help to improve recruitment and retention of employees.

The Council has started the review of the Organisational Development Strategy, and has:

- agreed a new Target Operating Model for the Council.
- introduced a new Hybrid Working Policy supporting flexible working arrangements.
- started the review of remuneration and job evaluation processes.
- started the service review program to support the move towards the Target Operating Model

---

### Complaints management

The Council has a process for responding to complaints. A project is being implemented to help improve our quality and timeliness of complaints handling, and a new system has been implemented. A post implementation review will be completed to quality assure its effectiveness.

The new system was implemented. The project introduced revised policy and processes for the handling and management of complaints. A post implementation review has been commenced as good practice.

---

## Environment

Local Air Quality Management is a statutory obligation for all Local Authorities. It involves a rolling programme of air quality assessment, impacting on decisions made by all internal and external bodies responsible for transport planning, highways, growth agendas, development plans and environmental protection. The Council is developing a new Air Quality Strategy, which will help to enhance the environment and inform environmental planning.

The Council adopted the Zero Carbon Strategy in May 2020. This aims deliver a 50% reduction in carbon emissions using 2018 as a baseline over a 30-year period.

Additionally, the Council approved the revised terms of reference of the Climate and Environment Advisory Committee. In January 2020, the Committee reviewed the Air Quality Strategy for approval by Cabinet. The strategy aims to deliver across three key areas: three key areas:

- A. Growth and new developments district wide
- B. The Council's Monitoring network
- C. Existing communities

---

## Procurement

In March 2019 Cabinet considered a report outlining the findings of the "Barriers to Council Procurement from Small and Medium-sized Enterprises (SMEs) Task and Finish Group" and approved to:

- review and simplify the tendering documentation for council contracts below the EU Procurement Thresholds;
- develop, promote and run a minimum of two procurement workshops for local SMEs during 2019;
- investigate how SCDC could increase awareness of contract opportunities locally whilst complying with the UK Regulations; and
- review the late payment of invoices with the South Cambridgeshire District Council's accountancy team.

In June 2020 Cabinet reviewed and noted the actions that have been undertaken over the past 12 months to reduce the barriers to Council Procurement.

The report advised that the Council's Invitation to Quote and Invitation to Tender documents have been reviewed and simplified, and a more flexible system was put in place towards the insurance and indemnity levels needed at contract level, based on an assessment of commercial risks and the nature and size of the contracts. Other initiatives included procurement workshops with business representatives and consultation with local businesses through the use of the Open for Business register and newsletter..

#### 4. Review of Effectiveness

The Council has several policies and procedures which are recorded in its Local Code of Governance. These are mapped to the seven principles of good governance. The Council has a positive risk appetite and the governance framework is designed to manage risk to an acceptable level. It provides a reasonable level of assurance, as it is not possible to eliminate all risks which may impact the achievement of its vision, policies, aims and objectives.

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

The Performance Page on the Council's website sets out details of how the examples below have contributed to the delivery of quality services and the Council's Corporate Plan objectives.

The Council is involved in partnership working and has group relationships with other entities. It is the sole owner of Ermine Street Housing, a contributor and partner to the Greater Cambridge Partnership. Additionally, the Council owns a dedicated leasing company Shire Homes which looks to house vulnerable adults and families into short term let accommodation. The Council is looking to partner with Hill the developer as part of its investment management strategy. The Council also actively takes part in the support of community housing groups resident associations and advisory panels including the Northstowe Community Networkers Group, the Planning Committee Development Group, the Event Safety Advisory Group, the Tenant Working Groups and Relationship Breakdown and Housing Support Group. Activities of the groups are also reflected in our review of effectiveness where these have a significant impact on our governance arrangements.

The 2019/2020 Statement of Accounts was not concluded by the statutory deadline, due to the delay in the previous 2018/2019 Statement of Accounts, and the Annual Governance Statement must be approved in advance of the Statement of Accounts.

As good practice the Council is also reporting items up to the date that the Statement of Accounts is concluded, and these are also reported separately for clarity. As they relate to the next financial year, they may also feature in the next AGS too.

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

---

Principle	Review of effectiveness for the 19/20 Financial Year
A. Behave: integrity, ethical values, respect rule of law	<ul style="list-style-type: none"> <li>• Full Council agreed the Scheme of Delegation of Council Functions as set out in Part 3 of the Constitution</li> <li>• The Local Code of Governance was reviewed and updated to reflect the latest professional standards and guidance</li> <li>• Political Proportionality and allocation of seats for committees 2019/20 were agreed for Ordinary Committees and Joint and Advisory Committees</li> <li>• Following a report by the Constitution Review Task and Finish Group, amendments to the powers and delegations supported by the Planning Committee were approved</li> <li>• Following a review by Civic Affairs of polling districts and polling places it was determined that no further amendments were required</li> <li>• The Scrutiny and Overview Committee appointed Councillor Grenville Chamberlain as the Finance Scrutiny Monitor</li> </ul>
B. Openness and stakeholder engagement	<ul style="list-style-type: none"> <li>• The Greater Cambridge Local Plan: Issues and Options consultation sought comments on the proposed content of, and the consultation, for the Greater Cambridge Local plan.</li> <li>• The Council contributed, as part of the Greater Cambridge Partnership Joint Assembly, on consultations and stakeholder engagement. This included receiving the report and recommendations of the Greater Cambridge Citizens' Assembly held in September and October 2019 aimed at delivering solutions for improvements to reduce congestion, improve air quality and provide better public transport in Greater Cambridge area.</li> <li>• The Council consulted on Community Governance reviews, such as the Longstanton and Oakington and Westwick area in response to the creation of the new community at Northstowe.</li> </ul>
C. Defining outcomes - economic, social, environmental	<ul style="list-style-type: none"> <li>• Cabinet approved policies and strategies such as the Homelessness Strategy 2018-23, Statement of Community Involvement, Premature Birth and Neonatal Policy and the Greater Cambridge Economic Plan.</li> <li>• Cabinet made a joint pledge with Cambridge City Council to resettle Syrian refugee families.</li> <li>• The Climate and Advisory Committee undertook various activities, such as: considering electric vehicles; noting Zero Carbon action Plan report; reviewing the Investment in Green Energy progress report; reviewing the Air Quality Strategy; recommending the Council liaise with County and Parish Council to maintain biodiversity (grass verges), and reviewed funding decisions for the Zero Carbon Communities grant scheme.</li> <li>• The Histon and Impington Youth Eco Council delivered their concerns regarding climate change to the Climate and Advisory Committee</li> <li>• The Council recruited an Energy Investment Officer, and the Green to Our Core Cluster Board was established to consider green energy projects for South Cambs Hall budgeted at £1.3million which would be recovered from savings over 14 years.</li> </ul>
D. Determine interventions to achieve outcomes	<ul style="list-style-type: none"> <li>• Council agreed to bring forward lending of £13 million to Ermine Street Housing into 2018/19 by re-phasing the Capital Programme and bringing forward budget from future years to enable the Company to continue the business expansion as agreed by Cabinet and Council in November 2015</li> <li>• The Council agreed to adopt the policy statement concerning Statement of Gambling Act 2005 Policy and the Statement of Licensing Act 2003</li> <li>• Cabinet agreed to the establishment of a new Zero Carbon Communities grant scheme. The grant aligns with the 'Green to our Core' Council priority, and the shift to zero carbon emissions by providing support to parish councils and community groups for projects that will reduce reliance on fossil fuels and promote behaviour change.</li> <li>• Cabinet approved the Greater Cambridge Housing Strategy for 2019-23</li> </ul>

E. Develop capacity and capability of entity	<ul style="list-style-type: none"> <li>• There were various changes to the establishment in the year, and Cabinet approved a proposed Senior Management restructure. Full Council agreed to approve the arrangements for the appointment of interim Chief Executive, and the S151 Officer was substantively appointed.</li> <li>• Cabinet approved the reappointment of the Brexit Advisory Group</li> <li>• The Audit and Corporate Governance Committee reviewed their Terms of Reference, which had been updated to reflect best practice guidance.</li> <li>• The Scrutiny and Overview committee considered and endorsed the proposal to invite the Centre for Public Scrutiny to undertake a review of the effectiveness of the Council's scrutiny function. The report identified that "Overall the Council has a strong ongoing commitment to scrutiny in terms of the level of activity undertaken, and time and resource dedicated across the organisation" Findings were presented to the Scrutiny and Overview Committee in July 2020 and endorsed the eight recommendations made, and endorsed the proposal in the SIR report that a Member workshop should be held to consider the findings of the review and engage in ideas for change and improvement.</li> </ul>
F. Manage risk and performance, internal control, finance	<ul style="list-style-type: none"> <li>• Cabinet approved the Strategic Risk Register which had been updated to reflect the latest Business Plan. Cabinet reviewed and approved the fees and charges.</li> <li>• Scrutiny and Overview Committee supported the adoption of the Corporate Asset Plan and supported the adoption of the revised Investment Strategy. The Council purchased an investment property, 140 Cambridge Science Park, a leasehold property.</li> <li>• Full Council approved key financial documents including the Capital Strategy, the Treasury Management Strategy, and the budgets for the Housing Revenue Account and the General Fund.</li> </ul>
G. Transparency, reporting, audit, accountability	<ul style="list-style-type: none"> <li>• The Audit and Corporate Governance Committee approved the Final Statement of Accounts for 2017/2018. The Statement of Accounts for 2018/2019 were approved in April 2022. The ongoing challenge is recognised in our new action plan for improvement.</li> <li>• The Audit and Corporate Governance Committee received the annual review letter from the Obudsman.</li> </ul>

## 5. Opportunities for Improvement

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 continuous and ongoing. They consider both historic governance issues that have arisen during the 2019/20 financial year and up to the date the Statement of Accounts are approved, and also look ahead for potential issues from our risk management process, corporate plans and strategies.

Governance Theme	Actions	Responsible Officers
Capacity for decision making	<p>In response to Covid-19 we reprioritised our resources to focus on the critical response activities. We anticipated the potential for new legislation to be rapidly established in response to external factors such as Covid-19 and Brexit. Consequently, some of our planned activities, which support the overall capacity of the Council, such as decision making, were delayed.</p> <p>The Councils forward plan of work is regularly reviewed to ensure that planned activities are prioritised and will be delivered at the earliest opportunity, and to respond to emerging external unplanned factors.</p>	Corporate Executive Management Team
Resources	<p>There is also potential for unplanned events and changes in legislation to adversely affect our finance and resources, which could be challenging to manage over the longer term.</p> <p>We recognised that Covid-19 has the potential to drive budgetary constraints, with reduced income from commercial activities, fees and charges.</p> <p>This is in addition to existing uncertainty from examples such as Business Rates Retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit has the potential to impact our resources.</p> <p>We will continue to proactively manage the impact on our resources through budgetary control and the Medium Term Financial Strategy.</p>	Corporate Executive Management Team



---

Financial Reporting      The 2018/2019 Statement of Accounts were audited and Leadership Team approved in April 2022. This was after the statutory deadline, due to various factors such as resource issues and the Covid-19 pandemic. Consequently, EY issued a “qualified” value for money conclusion in respect of the Authority’s proper arrangements to make informed decisions as a result of having reliable and timely financial reporting.

This continuing risk of late completion of accounts has been recognised nationally.

We will continue to work with EY on concluding the 2019/2020 and 2020/2021 accounts as quickly as possible, and will continue to keep the Audit and Corporate Governance committee informed on the progress.

A timetable is in place to get the accounts up to date during the second quarter of the 2024 calendar year, with 2019/20 scheduled for completion in October 2022. This is a challenging timetable that will require commitment from both the Council and the appointed auditors and close management of the process will be required.

## 6. 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.

SIGNED:

SIGNED

Date:.....

Date:.....

**LIZ WATTS**  
**CHIEF EXECUTIVE**

**COUNCILLOR BRIDGET SMITH**  
**LEADER OF THE COUNCIL**

## Glossary of Abbreviations and Financial Terms

### Glossary of Abbreviations

AGS	Annual Governance Statement
CFO	Chief Financial Officer
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
EY	Ernst and Young Auditors
GAAP	General Accepted Accounting Practice
GCP	Greater Cambridge Partnership
GF	General Fund
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
IPSAS	Institute Public Sector Accounting Standards
ISO	International Organisation for Standardisation
LGPS	Local Government Pension Scheme
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
MiRS	Movement in Reserves Statement
MRP	Minimum Revenue Provision
MRR	Major Repairs Reserve
NNDR	Non-Domestic Rates
PSN	Public Services Network
PWLB	Public Works Loans Board
REFCUS	Revenue Expenditure Funded by Capital under Statute
SOLACE	Society of Local Authority Chief Executives and Senior Managers

### Glossary of Financial Terms

#### Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

#### Accounting Policies

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

#### Accruals

Amounts included in the final accounts to recognise income earned and expenditure incurred for both revenue and capital in the financial year, but for which actual payment had not been received or made as at 31 March.

#### Amortisation

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

### **Annual Governance Statement**

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

### **Asset**

An item having a value to the Council in monetary terms. Assets are categorised as either non-current or current:

- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a leisure centre, or intangible, e.g. computer software licences.
- A current asset will be consumed or cease to have material value within the financial year e.g. cash and stock.

### **Audit of Accounts**

An independent examination of the Council's financial affairs

### **Balances (or Reserves)**

These are usable or unusable reserves. Usable reserves represent accumulated funds from prior years, that are available to the Council and can be spent. Some reserves may be earmarked for specific purposes and are for funding future defined initiatives or meeting identified risks or liabilities. The unusable reserves, which have been established for technical purposes are not available to spend and cannot be used to fund service provision.

### **Balance Sheet**

This statement sets out an authority's financial position at the year-end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held

### **Capital Expenditure**

Expenditure on the acquisition, construction, enhancement or replacement of a non-current asset such as land, buildings, and computer. It is expenditure that enhances and improves the use of the assets. It isn't expenditure that merely maintains the value of an existing asset.

### **Capital Adjustment Account**

This account records the accumulated amount of set aside capital receipts and minimum revenue provision (the contribution from revenue to cover repayment of the borrowing that has been undertaken to fund capital expenditure) together with capital expenditure financed by way of capital receipts, grants and revenue contributions. Set against these amounts are adjustments to the revenue account for depreciation and capital expenditure written off to revenue during the year. This, therefore, ensures that only actual expenses are charged to revenue in year and are paid for by council tax payers.

### **Capital Financing**

Funds used to pay for capital expenditure. There are various sources funding to finance capital expenditure including borrowing, leasing, revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **Capital Financing Requirement**

This measures the change in the underlying need for the council to borrow to finance capital expenditure. Where all capital expenditure is financed when it is incurred by resources generated by the council, e.g. revenue contributions, grants and capital receipts, the Capital Financing Requirement (CFR) will not increase. However if borrowing is required to finance capital expenditure then the CFR will increase. The annual minimum revenue provision will be applied to reduce the CFR each year and capital receipts can also be used to reduce the CFR.

### **Capital Receipt**

The proceeds from the disposal of land or other non-current asset. The government regulates the proportion of capital receipts that can be used to finance new capital expenditure. Capital receipts cannot ordinarily be used to finance revenue expenditure.

### **Cash Equivalents**

Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Cash Flow Statement**

This statement summarises the cash flows of the authority for capital and revenue spending as well as the cash flows used to finance these activities.

### **CIPFA**

This is the Chartered Institute of Public Finance and Accountancy. This organisation produces the Code of Practice that practitioners follow so that all local authorities prepare their accounts in a consistent and comparable way.

### **Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to other authorities (preceptors) and the general fund.

### **Community Assets**

Assets that the local authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Comprehensive Income and Expenditure Statement**

This is the statement that shows the accounting cost (surplus/deficit) in the year of providing services in accordance with generally accepted accounting practices. It is not the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### **Consistency**

The accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingent Gains**

A contingent gain (or asset) is a possible economic gain arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

### **Contingent Liabilities**

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or
- a current obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

It is considered that a contingent liability below £50,000 need not be disclosed, as any such amounts would not be significant.

### **Corporate and Democratic Core**

This includes all the activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The costs of these activities are those that are over and above those that would be incurred by a series of independent, single-purpose nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

### **Council Tax**

A local tax on dwellings within the district, set by billing authority (South Cambridge District Council) and the precepting authorities (the county council, fire and rescue services, the police and town and parish councils). It is calculated by taking the revenue expenditure requirements for each authority divided by the council tax base for the year.

### **Creditors**

Amounts owed by the Council for goods and services that it has received before 31 March, but that have not been paid for at that date.

### **Debtors**

Amounts owed to the Council for goods and services that it has provided before 31 March, but where the associated income was not received at that date.

### **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contributions scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes. The useful life is the period over which the local authority will derive benefit from the use of a fixed asset.

### **Events after Balance Sheet Date**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the responsible financial officer signs the Statement of Accounts.

### **Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **Finance Leases**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

### **General Fund**

This account where all the costs of providing the Council services (with the exception of the landlord services, the costs of which sit in the HRA and Local Council precepts) are charged to and paid for from Council Tax and government grants.

### **Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

### **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

### **Housing Revenue Account**

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure such as maintenance, administration, rent rebates and capital financing costs, and how these are met by rents subsidy and other income.

### **Impairment**

A reduction in the carrying value of a non-current asset to below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

### **Intangible Assets**

Expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be recognised as an intangible asset it must yield future economic benefits to the council. One of the most common examples would be software licences.

### **International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

### **International Public Sector Accounting Standards (IPSAS)**

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

### **Investments**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments that do not meet the above criteria should be classified as current assets.

### **Investment Properties**

An interest in land and/or buildings:

- in respect of which construction work and development have been completed; and
- which are held for their investment potential, any rental income being negotiated at arms length.

### **Liability**

A liability exists where the Council owes payment to an individual or another organisation

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

### **Long Term Debtors**

These debtors represent the capital income still to be received, e.g. from the sale of an asset or the granting of a mortgage or a loan.

### **Minimum Revenue Provision (MRP)**

This is the minimum amount that the Council must charge to the comprehensive income and expenditure statement each year to provide for the repayment of General Fund debt.

### **Movement in Reserves Statement (MiRS)**

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

### **National Non-Domestic Rates (NDR) also known as Business Rates**

Non-domestic rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally (currently 50%). This money, together with revenue from council tax payers, fees and charges and certain other sums, is used to pay for the services provided by the Council.

### **Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Non-Operational Assets**

Non-current assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets that are surplus to requirements pending sale or redevelopment and assets under development or construction.

### **Operating Leases**

Leases other than a finance lease.

### **Operational Assets**

Non-current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Operational assets comprise Council dwellings, other land and buildings, vehicles, plant and equipment, infrastructure and community assets.

### **Outturn**

Outturn refers to actual income and expenditure balances as opposed to budgeted amounts.

### **Precept**

The levy (demand for money) made by precepting authorities (the authorities with the power to instruct another local authority (the billing authority) to collect an amount from council tax on their behalf). Precepts are demanded by the County Council, Fire and Rescue services, the Police and Parish and town Councils.

### **Prior Years/Periods Adjustments**

The material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

### **Provisions**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- the local authority has a present obligation (legal or constructive) as a result of a past;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

A constructive obligation is an obligation that derives from an authority's actions where;

- by an established pattern of past practice, published policies or sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.



## **Prudence**

The concept that revenue is not anticipated until received in the form either of cash or of other assets, or a reliable estimate of the cash realisation can be assessed with reasonable certainty.

## **Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government can borrow itself. Virtually all borrowing undertaken by local authorities comes from the PWLB.

## **Related Parties**

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

## **Related Party Transaction**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority but also in relation to its related party.

## **Remuneration**

This is all sums paid to or receivable by an employee and any sums due by way of expenses and allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

## **Revaluation Reserve**

This account was created on 31 March 2007. The purpose of which is to hold all revaluations occurring to fixed assets subsequent to that date.

## **Revenue Expenditure**

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure of a capital nature that does not result in a fixed asset being created. An example of such an item would be expenditure on a former HRA property held on a long lease by a third party. The expenditure is written off in the year that it is incurred.

### **Stocks**

These are items of raw materials and stores a Council has procured and holds in expectation of future use. Stock comprises the following categories:

- Goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- finished goods.

### **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom known as 'The Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003. There are also accompanying guidance notes for practitioners.

### **Pensions Glossary**

#### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or
- the actuarial assumptions have changed

#### **Current Service Costs**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

#### **Curtailement**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **Discretionary Benefits**

Retirement benefits that the employer has no legal, contractual or constructive obligations to award and which are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) regulations 1996.

### **Expected Rate of Return on Pension Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **IAS19**

International Accounting Standard 19 (IAS19) ensures that organisations account for employee retirement benefits when they are committed to pay them, even if the actual payment may be years into the future.

### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investments (Pensions Fund)**

The investments of the Pensions Fund will be accounted for in the statements of the fund. However authorities (other than town and community councils) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **Non-Distributed Costs**

Non-distributed costs are defined as comprising:

- retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total costs of services;
- the costs associated with unused shares of IT facilities; and
- the costs of shares of other long-term unused but unrealisable assets.

### **Past Service Cost**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **Pension Scheme Liability**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **Projected Unit Method- Pension Fund Valuation**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date, or
- an employee's decision to accept redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.