Agenda Item No:	**9**
Committee:	Corporate Governance Committee
Date:	19 June 2018
Report Title:	Statement of Accounts 2017/18

Cover sheet:

1 Purpose / Summary

The purpose of this report is for members to review and note the draft Statement of Accounts for 2017/18.

2 Key issues

- The annual accounts are prepared in accordance with the Code of Practice on Local Authority Accounting (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and based on International Financial Reporting Standards (IFRS).
- The Accounts require approval by the Corporate Director and Chief Finance Officer by 31 May 2018. This requirement has been met with the accounts signed off on 25 May 2018.
- The Accounts are presented in draft subject to External Audit.
- The Statement of Accounts requires approval by this Committee by 31 July 2018, following receipt of the external auditors report. Accordingly, a meeting has been scheduled on 20 July 2018.

3 Recommendations

- It is recommended that the contents of the draft Statement of Accounts for the financial year ended 31 March 2018 be noted.

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Cllr Mrs Anne Hay, Portfolio Holder, Finance
Report Originator(s)	Brendan Arnold, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Brendan Arnold, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Closure of accounts working papers 2017/18

Report:

1 VARIATIONS TO PROVISIONAL OUTTURN

1.1 There have been no changes at this time to the provisional outturn figures reported to Cabinet on 17 May 2018.

2 BACKGROUND

2.1 The annual accounts of local authorities are prepared in accordance with the Code of Practice on Local Authority Accounting (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and on other relevant guidance relating to accounting and reporting standards. The Code, based on International Financial Reporting Standards (IFRS), is highly prescriptive both in terms of the main financial statements and the notes that accompany them.

2.2 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These require the 2017/18 Statement of Accounts to be approved by the Corporate Director and Chief Finance Officer by 31 May 2018, a month earlier than last year. This requirement has been met.

2.3 Although there is no formal requirement for Corporate Governance Committee to approve the accounts prior to external audit, it is considered best practice that members have the opportunity to review the accounts at this time.

2.4 This Committee will still be required to formally approve the final Statement of Accounts by 31 July 2018, following receipt of the external auditors report on the accounts.

2.5 The timetable for production of the Council's draft accounts has been achieved once again this year. The production of accounts under IFRS remains a complex task and requires a significant and concentrated staff commitment to meet the statutory deadlines.

3 STATEMENT OF ACCOUNTS AND AUDIT ARRANGEMENTS

3.1 The draft Statement of Accounts is attached for review and at Appendix A is a brief summary giving explanations of the contents of the accounts.

3.2 The 2017/18 audit of accounts will be undertaken by Ernst & Young (EY) and has already commenced. A progress report by EY is presented at an earlier agenda item. Should any material changes to the draft Statement of Accounts be required at the conclusion of their work, these will be incorporated into the final version for approval at the meeting of this Committee on 20 July 2018.

3.3 The accounts are available for a statutory period of public inspection of 30 working days, which started on 1 June 2018. Notice of the dates and times of availability have been published in the Fenland Citizen and on the Council’s website. In addition, local government electors of the district may question the auditor or make objections to the accounts for the year ended 31 March 2018, during the inspection period.

3.4 It is anticipated that the audit of the accounts will be concluded in mid-July. At the meeting of this Committee scheduled for 20 July 2018, members will receive a formal report of the Audit Opinion, known as the ISA 260 report. Members will then be asked to approve the Statement of Accounts 2017/18.

3.5 The draft accounts were formally approved for issue by the Council’s Corporate Director and Chief Finance Officer on 25 May 2018. These draft accounts have also been made available on the Council’s website. Once audited, the final Statement of Accounts, including the audit opinion will also be published.

APPENDIX A

STATEMENT OF ACCOUNTS

2017/18

1. **Narrative Report**

   This Section gives summary information for the financial year.

2. **Statement of Responsibilities**
   Sets out both this Council's and the Corporate Director and Chief Finance Officer's responsibilities.

   Core Financial Statements:-

3. **Movement in Reserves Statement**

   This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

4. **Comprehensive Income and Expenditure Statement**

   This Section gives detailed information about total expenditure on the services provided by the Council. Income for each service is matched against expenditure to show the net cost of services. The account also shows how much is received from council tax payers and from general government grants to help meet the cost of services. In addition, the statement shows the movements in the revaluation reserve and actuarial gains and losses on the pension scheme.

5. **Balance Sheet**

   The balance sheet provides a snapshot of the Council's financial position as at 31 March 2018. It sets out what the Council owns and what the Council owes at this point in time.

6. **The Cash Flow Statement**

   This statement summarises the total cash movements during the year for both capital and revenue purposes.

7. **Expenditure and Funding Analysis**

   This analysis details the adjustments between the funding and accounting basis across the Council's services and other operating income and expenditure. The accounting adjustments do not impact on the Council's General Fund balance (and hence Council Tax levels). They are therefore not reported as part of outturn.

8. **Notes to the Core Financial Statements**
   These notes provide additional information regarding the Council's financial activities during 2017/18. They include at Note 1 the Council's Accounting Policies.

   Additional Financial Statements:-

9. **The Collection Fund**

   The Council is legally obliged to maintain this fund separately from all other funds and accounts. It shows the transactions that have arisen because the Council is a billing authority, responsible for collecting non-domestic rates and council tax on behalf of the precepting authorities (the police, fire authority, county council, town and parish councils) and central government as well as for itself. The collection fund records the income we receive from local council taxpayers and business ratepayers and the money that is distributed to other public bodies.

Fenland District Council

100% people driven

Statement of Accounts

2017 - 2018

Subject to External Audit

CUSTOMER SERVICE EXCELLENCE

INVESTORS IN PEOPLE

FENLAND DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2017/18

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NARRATIVE REPORT

1. INTRODUCTION

This report explains how we've worked with residents, partners and community groups over the past year to achieve the priorities in our Business Plan. Our priorities focus on our communities, our environment and our economy.

2. ABOUT FENLAND

Fenland has strong community spirit and pride in its heritage. Over 100,000 people live in the district, with 75% living in the four market towns of Chatteris, March, Whittlesey and Wisbech. 29 villages are located in its beautiful rural landscape which attracts visitors from around the country.

A growing population
Fenland is an attractive place to live and do business in. It has the lowest house prices in Cambridgeshire and has plentiful commercial land availability. Our population is growing quickly, predicted to be 113,000 (+14%) by 2031. We have plans in place, including our Local Plan and Economic Development Strategy, to maximise the positive opportunities that growth brings.

Challenges
Fenland does face some challenges. It is the 80th (out of 326) most deprived area in the country. We recognise the challenges that deprivation brings, particularly around education and health. By lobbying for extra funding and working together with partners, we continue to deliver projects that improve the quality of life for local people. Further details can be found in our Annual Report at: www.fenland.gov.uk/annualreport

Our future population
Our population is also getting older. 25% of our residents are pensioners; this is expected to rise to 41% by 2024. 1 in 7 pensioners in Fenland live alone and struggle to access services due to rurality and transport provision. It is very important for residents to connect with others and maintain an independent life. We will continue to work with the Cambridgeshire and Peterborough Clinical Commissioning Group, Cambridgeshire County Council and voluntary groups to enable this.

3. ABOUT FENLAND DISTRICT COUNCIL

Fenland District Council has 385 employees (excluding casual staff). We are an innovative, high-performing Council with a distinctive organisational culture. Our '100% people driven', 'can-do' and 'one-team' approach enables members, officers and partners to effectively work together and deliver high-quality services for the community. Our approach is validated externally by continued Customer Service Excellence (CSE) and Investors in People (IiP) re-accreditations.

The Council continues to be challenged by significant budget cuts. We have managed these through our proactive Comprehensive Spending Review (CSR) programme. Our CSR programme has enabled members to determine which savings projects to pursue and deliver a balanced budget for 2017/18. Since 2010, we have saved over £9m and must deliver an additional £0.668m of savings by 2021. This has led to difficult decisions, including the introduction of our Garden Waste subscription service and procuring a management partner for our four leisure centres.

We continue to make public sector resources go further and work in partnership to deliver high-quality local services. These include Revenues and Benefits (delivered in partnership with six other local authorities as part of the Anglia Revenue Partnership), Planning (Peterborough City Council), Building Control (CNC), Internal Audit (Kings Lynn and West Norfolk) and Payroll (Bedford Borough Council). As well as delivering savings, this will support the Council to be financially sustainable in the future.

Despite the challenges we face, this narrative report shows just some of the work we do to make the district a happy, safe and prosperous place to live. We will continue to lobby for investment and use our resources to the best of our ability.

Becoming part of the Cambridgeshire and Peterborough Combined Authority (CPCA) has already benefitted Fenland. In its first year, the CPCA committed £16m of funding towards projects addressing important issues surrounding housing, infrastructure, skills, transport and employment in the district. This includes looking at the potential of a 'Wisbech Garden Town', bringing 12,000 new homes, jobs, better facilities and improved transport links over the next 40 years. In addition, a rail link between Wisbech and March (and beyond), road improvements within Wisbech and the A47 and a university in Peterborough are being considered.

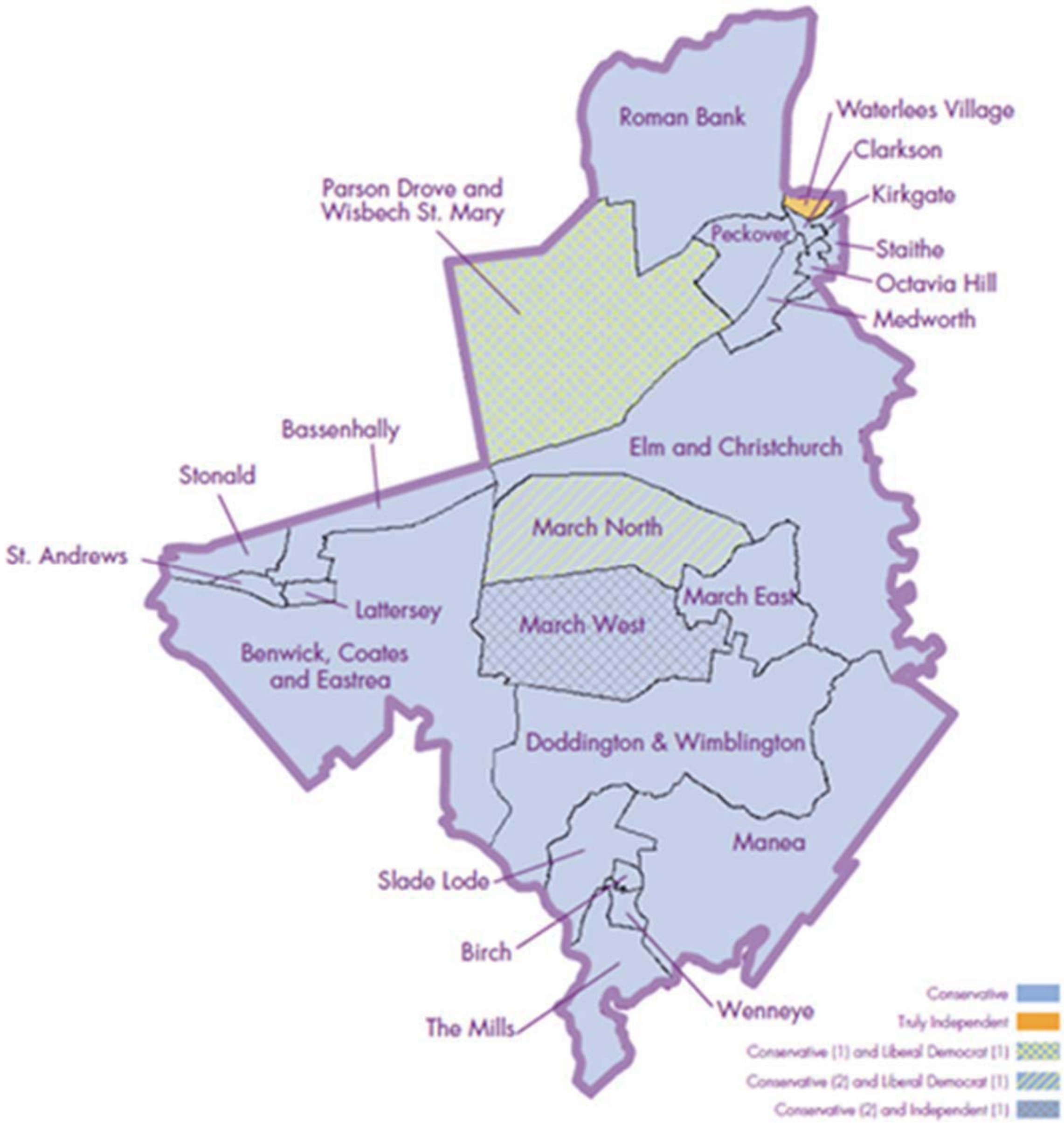
4. GOVERNANCE

Fenland District Council is made up of 39 Councillors, representing 24 wards.

Councillors are elected every four years by local residents to represent their area, make decisions and set priorities for the district.

We operate a Leader and Cabinet style of governance. This involves a Cabinet of 8 Councillors, each with specific responsibilities.

The Conservative group holds the majority with 34 seats. The remaining 5 seats are made up of 2 Truly Independent Councillors, 2 Liberal Democrat Councillors and 1 Independent Councillor.



5. OUR PRIORITIES

Our mission as a Council is 'To improve the quality of life for people living in Fenland'

To do this, we have developed a series of priorities to deliver over the next year. These aim to address the social, environmental and economic needs for residents to live happy, fulfilled lives and are summarised in the table below.

Partnership working is at the heart of these priorities. This includes working with the newly formed Combined Authority to seek investment and support for improvements to transport, infrastructure, skills and employment.

The Council's priorities and sub-priorities for 2017-18 are summarised in the table below.

Summary of Corporate Priorities 2017/18:

Quality Organisation	Communities	• Support vulnerable members of our community • Support our ageing population and young people • Promote health and wellbeing for all
	Environment	• Deliver a high performing refuse, recycling and street cleansing service • Work with partners and the community on projects that improve the environment and our streetscene • Work with partners to keep people safe in their neighbourhoods by reducing crime and anti-social behaviour and promoting social cohesion
	Economy	• Attract new businesses, jobs and opportunities whilst supporting our existing businesses in Fenland • Promote Fenland as a tourism and visitor destination • Promote and enable housing growth, economic growth and regeneration across Fenland • Promote and lobby for infrastructure improvements across the District

6. HIGHLIGHTS OF ACHIEVEMENTS IN 2017/18

Communities	• We continue to tackle unacceptable living conditions. Over the last year we inspected 78 HMOs (Houses in Multiple Occupation) and investigated 158 complaints from tenants in privately rented homes. Our Housing Options team also gave valuable advice to over 1,110 households on a variety of issues. Of those asked, 100% of households were satisfied with the service they received. • We prevented from 132 families from becoming homeless. After bidding successfully to central government, nearly £900,000 of funding is helping homelessness to be prevented at an earlier stage. An Outreach worker is working with homeless migrants and a new trial 'trailblazer' project is proving successful. Led by Fenland District Council for the whole Cambridgeshire and Peterborough area, the project has helped 450 people in six months. It is one of the six top performing projects in the country. • We adapted 171 homes and helped 311 vulnerable households through our Healthy Homes/Handyman service. Small improvements, such as grab rails and bannisters, have improved safety and enabled 45 people to come home from hospital. These adaptions make an important difference in helping people to stay living independently at home by reducing the risk of slips, trips and falls. • Funded by the Clarion housing group, residents are being helped to overcome barriers to skills, training and employment through a wide range of sessions at Community House. These have included a literary course, gardening group and a talk from the National Careers Service. Of those

	asked, 100% (60) of people said they now feel more confident to access work. • With support from the Home Office (as a Local Alcohol Action Area), work continues to reduce street drinking in Wisbech. Recovery walks and night shelter visits identify and support vulnerable individuals. Partners and local businesses are sharing information about prolific street drinkers on the ECINS system to support joined-up working. This work is supported by our introduction of PSPOs (Public Spaces Protection Orders) which ban street drinking and alcohol possession in four places. • 349 people attended our Golden Age events. Designed for the over 60's, attendees received practical advice including benefit checks from our 'Fenland Ferret', electric blanket exchanges from the Fire Service and signposting to local services. Of those asked, 100% (80 people) were satisfied with the events. • We support the Children's Change programme. Alongside partners, we aim to capture and share information to stop child exploitation. Our frontline officers are trained to collect relevant information and supply information in high-risk cases. Our CCTV service also captures valuable intelligence. Partners also support our work; for example by contacting our Trailblazer team (see above) if they think a family is at risk of homelessness. • Over 200 people packed the Wisbech St Mary community centre for the Pride in Fenland awards. Run in partnership with the Fenland Citizen, the awards recognise the selfless volunteers that help local people. After receiving one of highest amounts of nominations, judges selected the overall winners of the five categories. These included good neighbour, community volunteer, young person of the year, group/club/organisation and the judges' special award. • In the past 30 months, 5,900 different people have taken part in Active Fenland sessions. Funded by Sport England, a variety of activities have helped residents to get more active, more often. To date, 87,000 visitors have attended sessions including yoga, walking football, badminton and table tennis. We were also awarded £140,000 from the Government's Controlling Migration Fund. This will support a two year project aiming to bring different cultures together through sport. • Households saved an average of £200 on their energy bills using the new iChoosr scheme. This uses the combined buying power of local people (through 'collective switching') to get cheaper prices from energy companies. It is free to register and you are not forced to switch. During the winter months, over 100 households benefitted from the Stay Well scheme. Funding of £7,000 helped to provide emergency fuel for households that couldn't afford to heat their home. • We developed a new Health & Wellbeing strategy to explain how health inequalities will be addressed in Fenland. These issues are complex and cannot be addressed by one organisation alone. The strategy explains how we will work with others on areas with the greatest opportunity to deliver results and to build health and wellbeing into our decision making processes

Environment	• We made nearly 2.9 million bin collections across the district. 9,300 tonnes of recycling were collected from blue bins including cans, plastic, paper and glass. A Fenland collection day bin app pilot was launched and can now be downloaded through the Apple app or Google Play stores. It allows customers to save collection dates and set a reminder to put the bin out. • The first year of our Garden Waste Service exceeded expectations, with 19,800 subscriptions across the district. This introduced an annual £40 subscription charge for a fortnightly brown bin collection to make the service self-funding, which would otherwise cost over £700,000 to run. Uptake for this year's service is strong, with an increased number of customers subscribing by direct debit prior to April 2018. • Our Cleansing and Rapid Response team continue to provide an excellent seven day street sweeping and litter picking service. Last year they cleaned over 11,290 miles of streets and 210 million square metres of open spaces. Out of 1,430 inspections, 99% of areas met cleansing standards upon inspection. • Our Street Scene team spent nearly 6,500 hours on patrol across Fenland. They continue to work closely with the community to tackle environmental and anti-social behaviour problems including fly-tipping, littering and dog fouling. We issued over 1,600 Fixed Penalty notices for environmental offences and successfully prosecuted individuals in court. Over £7,300 in fines were issued for littering alone. • We worked with over 20 groups of volunteers including Street Pride, Friends of and In Bloom to make Fenland a cleaner, greener and safer place to live. Over 100 people attended the Street Pride celebration in October; a record number. The dedication of local volunteers and partners in our parks was also recognised by the Anglia in Bloom competition. Benwick and Waterlees both achieved Silver Gilt, with Chatteris and Wisbech achieving Gold. Wisbech have now won Gold for the 10th consecutive year. • Supported by a £1.9m grant from the Heritage Lottery Fund, work continues to improve the buildings on Wisbech High Street. Plans were approved to redevelop the derelict 'Gap' site (Number 24) with a modern, multi-functional community space and discussions are ongoing with the owner of the derelict buildings at Numbers 11 and 12. Free events, such as open days, are encouraging people to get involved with heritage along with photography workshops. Led by renowned photographer Matt Emmett, participants are brushing up on their camera skills in and around Wisbech. • Working with community groups, we continue to support popular local events including the Chatteris Mid-Summer Festival, March St George's Fayre, Whittlesey Festival and Wisbech Christmas Market. These attract thousands people a year to our towns, bringing economic and cultural benefits. St George's Fayre celebrated its 10th year, with crowds enjoying lively 1960's, 70's and 80's music performances in the marketplace. • Our CCTV service recorded nearly 2000 incidents of crime and disorder. This evidence has helped partners to tackle violence, street drinking and anti-social behaviour. Businesses, using the online SIRCS network, proactively shared 285 pieces of useful intelligence to support local crime reduction. We also investigated 75 cases of anti-social behaviour in

	partnership with the fire service, Speedwatch, Clarion and police. • The Fenland Community Safety Partnership aims to reduce crime, anti-social behaviour, and the fear of crime. Over three years, 2,500 students in Fenland schools saw the theatre performance of ‘Chelsea’s Choice’. This educated pupils on what child sexual exploitation is, its impact, and to spot its signs amongst their peers. • Through our Diverse Communities Forum, we successfully bid to the DCLG’s Controlling Migration Fund and received over £800,000 in funding. Alongside partners including Public Health, the Ferry Project, the Rosmini Centre and EELGA, a variety of two-year projects will take place to improve cohesion, reduce homelessness and promote integration.
Economy	• Our Business Premises continue to provide popular ‘start up’ and conference facilities. The Boathouse (Wisbech) and South Fens Enterprise Park (Chatteris) are fully occupied, contributing to a total of 90% occupancy across all sites. 100% of customers surveyed were very happy with our facilities. • The £50m Nene Waterfront development in Wisbech continues to bring land back into use. Housing construction on Lot 3 (the former gas works site) is nearing completion. These new, good-quality homes are proving popular for both first-time buyers and people already on the property ladder. • The Cambridgeshire and Peterborough Combined Authority gave £150,000 to fund the development of Market Town Masterplans for Chatteris, March and Whittlesey. Through specialist support and feedback from public, private, community and business representatives, plans will be created to stimulate growth and investment. St Neots developed their masterplan during summer 2017; as a direct result they have already received £5m in investment. • We continue to help young people to get ready for employment by offering work placements. Supported by the Skills Service, a variety of events have also taken place in Fenland’s secondary schools including CV workshops and mock interviews. In February, 40 local businesses and 600 students attended the annual Careers Fair at Neale Wade. • A state-of-the-art £0.9m marina, part-funded by Fenland District Council, opened at Sutton Bridge in September. Known as Cross Keys Marina, it provides access to inland waterways from The Wash. Designed for both commercial and leisure use, the marina caters for up to 20 leisure boats. Most moorings are already occupied and a new boating community is already starting to take shape. • The fifth Wisbech 2020 Summit was held at the Thomas Clarkson Academy. In a successful change of format, local community groups engaged delegates at exhibition stands over lunch. As well as hearing from a variety of speakers (including FDC, CCC, Anglian Water and local schools), a €55,000 cheque was presented by Dutch representatives from Royal Haskoning DHV and the Netherlands Embassy. This will contribute to the flood feasibility work as part of the Wisbech Garden Town proposals. As well as being recognised as a ‘Pride of Place’ area, Wisbech is taking part in the LGA (Local Government Association) ‘Prevention at Scale’ trial. With expert

	help, initiatives will be trialled to prevent and tackle health related issues. • Our Planning team processed over 850 applications from across the district. Nearly 360 cases of unauthorised development were investigated and closed. • Work continues around a Wisbech Garden Town. This could deliver 12,000 new homes, more jobs, improved infrastructure and better facilities. The Cambridgeshire and Peterborough Combined Authority awarded £6.5m to carry out feasibility work and studies. Cambridgeshire County Council are investigating road capacity and preparing for a GRIP3 study to consider the feasibility of a Wisbech to March (Cambridge) rail link. Based on successful Dutch projects, innovative modelling work is taking place to mitigate flood risk. • Work continues to improve local railway services. The first ever 'Transport Conference' was held in October by the Fenland Transport and Access Group. Sponsored by Cross Country and led by Fenland District Council, local residents and stakeholders came together to share their views and input into the formation of the (CCC) Fenland Transport Strategy. The Hereward Community Rail Partnership also aimed to protect (and enhance) local services by responding to consultation about proposed changes to Cross Country and East Midlands train company routes. • Over 19,200 journeys were made on concessionary community transport services in Fenland. A new pilot bus service in Wisbech, operated by the Fenland Association for Community Transport (FACT), is slowly growing in popularity. This provides access to Tesco and businesses on Cromwell Road after Stagecoach withdrew their service last year. • The Wisbech Access Strategy is a package of transport schemes aiming to improve the local transport network. Feedback from public consultation helped to finalise a 'short-term' plan of schemes to be delivered by 2021. This is enabled by £10.5m of funding from the Government's Growth Fund. Plans include developing a new A47 roundabout on the Southern Access Road, relocating the A47/Elm High Road roundabout and improving signals at New Bridge Lane/Cromwell Road.
Quality Organisation	• We collected over £50m of Council Tax and nearly £25m in Business Rates. This plays a major part in funding the key services we provide to the community. We also pass a large share of this money onto the Police, Fire Service, County and Parish Councils – see the 'Money Matters' section for more information. • More residents are using our website than ever before, receiving over 580,000 visits over 12 months. Following mobile optimisation, a record number of users are engaging with us through their mobile or tablet devices (nearly 50%) instead of traditional desktop computers. We were also pleased to be awarded a 3 star (out of 4) rating from the Society for IT Practitioners in the Public Sector (SOCITM), which impartially reviews the usability of all local authority websites. This shows that our online services and continued website improvements are effectively meeting the needs of our customers.

	• Our social media following has reached a record high, with 8,040 Twitter followers and 1,640 Facebook likes (+6% and +54% on last year). We use these channels to advertise council services, local events and partner organisations. Our Tweets were viewed over 10,000 times during the national #OurDay campaign on 21 November. This gave an interesting 'behind the scenes' look at the variety of work done by Council officers in a typical day. • We helped over 127,500 customers at our Community Hubs, Fenland @ your service shops and telephone contact centre. As well as taking payments for Council services, we helped customers with a variety of queries about bin collection, housing, Council Tax and Benefits. 94% of queries were resolved straight away. • We continue to consult with residents, stakeholders and partners about Council proposals. The feedback we receive helps us to understand residents' priorities and shapes our services. Our approach is explained in our updated corporate consultation strategy, which was approved by Cabinet in October 2017. We have consulted on a variety of subjects this year which have included our Business Plan, the Wisbech Skate Park and Whittlesey Conservation Area. • Our Elections team work hard to allow everyone to exercise their right to vote. They had a very busy year, delivering the first ever planning referendum for March and supporting the Mayoral election for the new Cambridgeshire and Peterborough Combined Authority. As well as running 8 by-elections, they successfully delivered the UK Parliamentary General Election for North East Cambridgeshire with just 7 weeks' notice. Over 84,400 people (63.22% of the total electorate) voted across our 81 polling stations. • We were reaccredited with the Customer Service Excellence (CSE) award last year. This is a Government standard that recognises the high quality, customer focused services we provide. We also maintain our Investors in People (IiP) award; this evaluates how well we support our workforce and gives them the skills they need. We have held these accreditations for a number of years. • The Mayor of the Sunshine Coast Regional Council (Australia) visited Fenland to celebrate the 20th anniversary of our Twinning arrangements. Alongside our Chairman and invited guests, a special event took place to renew the Charter of Mutual Friendship. Our visitors also relaunched their book 'March Hero' about Jim Hocking, an Australian Pilot Officer, who sacrificed his life to protect the people of March during World War II. • Our Environmental Health team made over 410 food safety interventions including inspections, revisits and sampling visits. 508 food businesses (out of 653) in Fenland are rated as 5, which is very good, under the national food hygiene rating scheme. Work continues to tackle poor hygiene standards. As part of this, a former manager of a Wisbech food store was prosecuted at Peterborough Crown Court for serious food hygiene failings. The judge said a prison sentence would be justified as the breaches were intentional and a serious risk to public health. • Well managed businesses make Fenland a safer place to live, work and

	socialise. Last year we processed 112 Temporary Event Notices, 58 Personal Licenses and 276 licenses related to Taxi Licensing under the Licensing Act 2003. Other teams within the Council, such as Environmental Health, are becoming trained in licensing activities which supports continuity of service during busy times. • We were praised for offering good value for money in the 2016/17 financial year. Independent auditors, Ernst & Young LLP, said we had "made proper arrangements to secure economy, efficiency and effectiveness in its use of resources." Our Internal Audit team was also assessed by CIPFA to make sure they work to the right standards. The assessment, which takes place every five years, showed we 'generally conform' to the standards set; this is the highest rating possible.

7. FINANCIAL PERFORMANCE

The 2017/18 Revenue Budget Process

The Revenue Budget for 2017/18 was prepared against a background of meeting the Council's Corporate Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding. A balanced budget was produced that included a deliverable level of savings and income and provided for investment in key services. This was achieved through a budget strategy that resulted in:

- the delivery of savings through the service transformation review process;
- making efficiencies through specific budget reviews and contract renewals;
- maximising new and existing income streams; and
- recognising cost pressures and making decisions on budget changes where necessary.

The budget included savings or additional income of £0.601m. This compared to £0.968m included within the 2016/17 budget. The majority of the savings were based on organisational efficiency changes across a number of service areas together with shared service and partnership arrangements with other local authorities. In addition, higher forecast business rates growth has enabled the Council to retain more business rates, not only in 2017/18 but over the medium term forecasts.

Council approved a net revenue budget for 2017/18 of £12.679m at its meeting on 23 February 2017. Council also approved the Fees and Charges proposals that support delivery of the revenue budget, the Treasury Management Strategy and Capital Programme and funding for 2017/18- 2019/20.

Council Tax

Council policy for 2017/18 was to increase Council Tax by 1.98%, to stay within the Government's referendum limit of 2%. The Cambridgeshire Police and Crime Commissioner increased their element of Council Tax by 1.97% and the Fire Authority increased theirs by 1.92%. Cambridgeshire County Council froze their general Council Tax level but increased the Adult Social Care element, resulting in an overall increase of 2%. The average increase in Parish Councils was 3.87% for 2017/18.

The calculation of the 2017/18 Tax-Base, resulted in an increase of 462 Band D equivalent properties (as shown in the table below). This produced a net increase in Council Tax income of £118,000 for Fenland District Council. The increase in Band D equivalent properties reflects both an increase in properties built and a reduction in the number of people claiming Council Tax Support.

The comparison of Council Tax levels and Tax Base from 2015/16 to 2017/18 is shown below:

Band D Council Tax by authority	2015/16 £	2016/17 £	2017/18 £
Fenland District Council	245.61	250.47	255.42
Cambs. County Council	1,144.26	1,167.12	1,190.43
Cambs. Police & Crime Commissioner	181.35	183.15	186.75
Cambs. Fire Authority	64.26	65.52	66.78
	1,635.48	**1,666.26**	**1,699.38**
Parish Councils (Average)	35.76	42.72	44.37
Total average Band D Council Tax	**1,671.24**	**1,708.98**	**1,743.75**
Total average increase	25.78 (1.57%)	37.74 (2.26%)	34.77 (2.03%)
Council Tax Base			
Number of Band D equivalent dwellings	27,368	27,935	28,397

Revenue Spending

For 2017/18, the Council agreed an original budget of net spending on services of £12.679m. This sum was to be financed in part by Government Grant together with the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for 2017/18 was set at £255.42 for Band D properties. The precept on the Collection Fund (£7.253m) is the amount due to the Council net of Parish Precepts (£1.260m). The following table summarises the final figures (outturn) with those budgeted for the year

	Original Budget £000	Revised Budget £000	Actual £000	Actual to Original Difference £000
General Fund Spending	12,679	12,563	11,707	(972)
Contribution to Reserves	0	0	935	935
Total	12,679	12,563	12,642	(37)
Financed by:				
Business Rates Funding	4,360	4,494	4,323	37
Revenue Support Grant	925	925	925	0
CT Collection Fund Surplus	141	141	141	0
Precept on Collection Fund	7,253	7,253	7,253	0
Total	12,679	12,813	12,642	37
Net Surplus	0	(250)	0	0
General Fund Balance at 31 March 2018	2,422		2,422	0

The Council under-spent by £0.935m (prior to additional appropriations to reserves) on the original budget due principally to the following reasons:

			£000
	•	Net impact of Business Rates income received, additional grant, reduction in appeals provision and higher levy payable to government	37
Off-set by	•	Lower employee costs	(218)
	•	Lower premises costs	(58)
	•	Lower transport costs	(29)
	•	Lower supplies, & services costs	(134)
	•	Additional income from fees and charges	(197)
	•	Additional other Income	(336)
	Net under-spend		(935)
	•	Additional contribution/transfer to reserves	935
			0

Budget Monitoring

Revenue and capital budget monitoring information is reported monthly throughout the year to Corporate Management Team and Heads of Service. Cabinet Portfolio Holders are also provided financial monitoring information regularly throughout the year and provided to Cabinet at specific times during the year. In addition, treasury management performance is reported to Cabinet and Council with reviews undertaken by the Corporate Governance Committee.

Capital Spending and Funding

In 2017/18 the Council spent £1.880m on capital projects, which included Revenue Expenditure Funded from Capital under Statute (grants and loans to private sector home owners and support for community development), compared with the original budget of £1.906m and revised budget of £2.251m.

The main items of capital expenditure in the year were grant aid support to private sector home owners and support for community development (£0.987m), investment in vehicles (£0.334m), Street Lighting improvements (£0.083m) and CCTV improvements (£0.240m).

This expenditure was financed by capital grants, capital receipts and revenue contributions.

Capital receipts of £0.556m (net of costs) were realised in 2017/18 (2016/17: £0.337m).

Revenue Balances

Set out in notes 26 and 27 to the core financial statements are the Council's reserves. As at 31 March 2018, the Council's uncommitted General Fund Balance stood at £2.422m and the total Earmarked Reserves balance stood at £7.321m.

Reserves are required to cover a number of potential unforeseen eventualities and risks of additional expenditure being required over and above that allowed for within budgets. The target minimum level for the General Fund Balance is £2m**.**

Provisions and Contingencies

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2017/18 and earlier financial years in their proportionate share. Therefore, a provision of £0.693m (Fenland's share) has been recognised for the best estimate of the amount that businesses are potentially due a refund at 31 March 2018.

Treasury Management

The Local Government Act 2003 gave councils the freedom to determine how much they borrow for investment in new capital projects, subject to a regulation that such borrowing complies with the 'Prudential Code for Capital Finance in Local Authorities'. The Prudential Code looks to ensure affordability, prudence and sustainability in relation to determined borrowing limits. The Council determined the required Prudential Code indicators and Treasury Management Strategy as part of the budget process for 2017/18. One finance lease commenced, no new borrowing was undertaken in 2017/18 and all investment activities were undertaken in accordance with the approved strategy.

The total loan debt was £7.8m at the year-end, unchanged from the previous year. Short-Term Investments (ie. between 3-12 months) at the year-end amounted to £13m (£18.5m at 31st March 2017).

Pension Liabilities

(i) The Local Government Pension Scheme

At 31 March 2018, the Council's share of the assets and liabilities of the Cambridgeshire LGPS show an estimated net liability of £56.172m. This liability has no impact on the level of the Council's available reserves.

Following the actuarial valuation as at 31 March 2016, the employer's contribution was set as a combination of a percentage of salary plus a lump sum. For the period 2017/18 – 2019/20 the rate has been set at 17.4% together with lump sum payments of £0.785m, in 2017/18, £0.825m in 2018/19 and £0.865m in 2019/20. Further information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is detailed at note 40 to the financial statements.

(ii) The Pilots' National Pension Fund (PNPF)

In November 2016, because the Council no longer had any active members in the fund, or was likely to have in the near future, the Council triggered a 'cessation event' with the PNPF. This resulted in a lump sum being due to the PNPF as a result of the statutory S75 debt calculation.

The Council was informally notified in March 2017, by the Secretary to the PNPF that the likely exit payment would be of the order of £1.9m. Consequently, the Council made provision in the 2016/17 accounts for this amount. The actual sum due to the PNPF was £1.95m and the Council paid this in February 2018. No further payments are currently due to the PNPF, although as the Council is still classified as a Participating Body of the PNPF under the Fund rules, there remains a small risk that further payments could be sought from the Council in the future. Consequently, the Council has recognised this small risk as a Contingent Liability at the end of March 2018. Further details can be found in Note 41 to the financial statements.

Significant Transactions

The actuarial valuation of the Council's Local Government Pension Scheme liabilities and pension reserve shown on the Balance Sheet have increased by £1.123m during the year, from £55.049m at 31 March 2017 to £56.172m at 31 March 2018. Although the financial assumptions used by the pension fund Actuary (Hymans-Robertson) are largely unchanged, expected returns on plan assets were lower than expected. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Further details are given in Note 40 of the core financial statements.

The Council engages Wilks Head and Eve to undertake valuations of the Council's asset base in accordance with the requirements set out in the CIPFA Code of Accounting Practice and the professional standards of the Royal Institute of Chartered Surveyors. All assets are formally re-valued at least every five years and an annual review is undertaken to ensure there has been no significant movement in the value of the Council's assets since they were last subject to formal valuation. Further details are given in Notes 13 and 27 of the core financial statements. Increases in the value of some of the Council's assets led to revaluation gains of £1.026m being recognised in the revaluation reserve. These gains were offset by downward movements in the value of other assets totalling £1.065m leading to a net debit to the revaluation reserve of £39,000.

8. MEDIUM TERM FINANCIAL PLAN 2018/19 – 2022/23

This Council, in common with most other local authorities, faces an ongoing difficult position in the medium term due to a range of pressures including providing statutory services, ongoing pressures caused by maintaining and developing sources of income through fees and charges whilst managing the impact on revenue and capital budget of delivering against the Council's strategic priorities. However, the most significant factor that will impact on the budget will be the level of Government funding including the ongoing uncertainty in respect of changes to financing arrangements such as the proposal for 75% localisation of business rates and changes to the New Homes Bonus.

The Medium Term Financial Plan (MTFP) shows that the Council faces a continuing budget gap over the five years from April 2018. The following table summarises the position, showing a cumulative gap over the period to 2022/23 of £0.668m, as presented to Council on 22rd February 2018.

Summary Medium Term Financial Plan

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Expenditure					
Net Service Expenditure	13,664	14,166	14,463	14,858	15,268
Corporate Items	-935	-1,225	-870	-930	-840
Contribution from Reserves	-73	0	0	0	0
Net Budget Requirement	**12,656**	**12,941**	**13,593**	**13,928**	**14,428**
Funding					
Revenue Support Grant	-444	0	0	0	0
Retained Business Rates	-4,723	-4,776	-4,966	-5,065	-5,168
Business Rates Collection Fund Deficit	169	0	0	0	0
Council Tax Collection Fund Surplus	-110	-90	-90	-90	-90
Council Tax *(increases of 1.97% in 18/19 and 1.98% p.a 19/20 onwards)*	-7,548	-7,777	-8,013	-8,253	-8,502
Total Funding	**-12,656**	**-12,643**	**-13,069**	**-13,408**	**-13,760**
Surplus(-)/Shortfall(+)	**0**	**+298**	**+524**	**+520**	**+668**

The multi-year settlement announced in Autumn 2015 (covering the period 2016/17 – 2019/20), will result in RSG disappearing by 2019/20 with the Business Rates Baseline Funding increasing by CPI inflation. The medium term projections detailed above exemplify this position by reducing the overall Core Funding (Revenue Support Grant plus Business Rates) by 8.6% in 2018/19, by a further 9.1% in 2019/20, with an inflationary increase of 2% in 2020/21 onwards.

Fair Funding Review

Alongside the finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published a consultation document on ‘a review of relative needs and resources’. This consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities. It does not cover the relative resources adjustment, transition or other technical matters but these will be the subject of a later series of discussion papers.

Future Changes to the Business Rates Retention System - 2020/21 onwards

The Government announced as part of the provisional settlement, its intention to introduce a 75% Business Rates Retention Scheme from April 2020. The Government has committed to continuing to work with local government to improve the way the finance system works, such as tackling the impact of business rates appeals on local authorities.

The content and character of any new system and its effect on Fenland District Council are unknown at this stage and therefore no adjustments have been made to the business rates funding within the MTFP. Nationally, the implementation of this scheme will be fiscally neutral.

The future changes to the Business Rates Retention system and the outcome of the Fair Funding Review are very significant risk areas for this Council, for district councils in particular and the local authority sector in general, over the medium term.

Fenland District Council – Comprehensive Spending Review (FDC-CSR)

A major part of the strategy for achieving the required savings over the medium term is the FDC-CSR, established by Council in July 2015. Following an extensive consultation with Members, a priority list of options was confirmed in January 2016. This identified potential savings of £1.667m. A number of these projects have been successfully implemented (eg. Garden Waste Subscription Service starting 1 April 2017) and further progress is being made during 2017/18 on the remaining projects (eg. Leisure Centre Management Options).

The forecasts for the years 2020/21 – 2022/23 are particularly volatile and should be treated with caution. Future year funding figures are subject to the implementation of consultations and reforms, and therefore the figures could be better or worse than forecast.

There will, however be a requirement to achieve further savings over the medium term through an approach of similar character and reach to the existing CSR agreed by the Council in January 2016 and now largely delivered.

Combined Authority

This Council is a constituent authority of the Cambridgeshire and Peterborough Combined Authority (CPCA) which was formally established following the Mayoral election in May 2017. The devolution deal for the CPCA includes a new £20m fund for the next 30 years (£600m) to support economic growth, development of local infrastructure and jobs. In addition, a new £100m housing fund is to be invested over the next five years to build more homes in Cambridgeshire and Peterborough including affordable, rent and shared ownership.

At their meeting on 28 June 2017, the CPCA committed to a multi-million pound package of investment to help progress projects in Fenland. This includes a total of £6.5m to fund feasibility studies over the next two years relating to the Wisbech Garden Town project as well as the next stage of the Wisbech Rail study. Further funding has been committed for business case developments for other infrastructure projects relating to the upgrading of the A47. In March 2018 the Council received notification that it had been awarded three allocations of £50,000 to fund the production of masterplans for growth for the market towns of Chatteris, March and Whittlesey.

9. EXPLANATION OF THE FINANCIAL STATEMENTS

The Council's financial statements for the year 2017/18 are set out on pages 20 to 97. They consist of:

- the **Movement in Reserves Statement** – shows how the movement in reserves in the Balance Sheet is reconciled to the Comprehensive Income and Expenditure Account Deficit and what adjustments are required to be charged to the General Fund Balance for Council Tax setting purposes;

- the **Comprehensive Income and Expenditure Statement** – a summary of the resources generated and consumed by the Council;

- the **Balance Sheet** - setting out the Council's financial position as at 31 March 2018;

- the **Cash Flow Statement** - which summarises the Council's inflows and outflows of cash for revenue and capital transactions for the year with third parties;

- the **Expenditure and Funding Analysis** – a summary of annual expenditure used and funded by the Council together with the adjustments required between funding and accounting basis to reconcile with the CIES;

- the **Collection Fund** – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non – Domestic Rates (NNDR) and its distribution to precepting bodies.

The accounts referred to above are supported by **Accounting Policies**, which are in note 1 to the financial statements.

10. CHANGES TO THE PRESENTATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Council restructured its operations with effect from 1 April 2017. Under the revised structure, the planning function and associated teams moved from being part of the Resources and Customer Services service to the Planning, Policy and Governance service. The prior year comparators within the Comprehensive Income and Expenditure Account have been restated to take account of the impact of this change.

11. DATE THE STATEMENT OF ACCOUNTS WERE AUTHORISED FOR ISSUE

The Statement of Accounts was authorised for issue by the Corporate Director and Chief Finance Officer on 25 May 2018. This is the date up to which events after the Balance Sheet date have currently been considered. As part of its considerations management has assessed whether any events have occurred subsequent to the Balance Sheet date which might need to be disclosed as non-adjusting events within the notes to the financial statements. No such events have been identified.

12. FURTHER INFORMATION

Further information about these accounts is available from the Chief Accountant, Fenland Hall, County Road, March, Cambridgeshire, PE15 8NQ, (☎ 01354 622486).

This document forms part of the Council's policy of providing full information about the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts.

13. CORPORATE DIRECTOR AND CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the financial statements set out on pages 22 to 98 present a true and fair view of the financial position of Fenland District Council at 31 March 2018 and its income and expenditure for the year then ended.

Signed: ………………………………………….

25 May 2018

Brendan Arnold FCPFA
Corporate Director and Chief Finance Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director and Chief Finance Officer.

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

- to approve the statement of accounts.

The Corporate Director and Chief Finance Officer's Responsibilities

The Corporate Director and Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Corporate Director and Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.

- made judgements and estimates that were reasonable and prudent.

- complied with the Local Authority Code.

The Corporate Director and Chief Finance Officer has also:

- kept proper accounting records which were up to date.

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

Signed: …………………………………………

25 May 2018

Brendan Arnold FCPFA
Corporate Director and Chief Finance Officer

CORE FINANCIAL STATEMENTS
MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

2016/17	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
Balance at 31 March 2016	**2,394**	**5,395**	**1,130**	**45**	**8,964**	**(3,502)**	**5,462**
Movement in reserves during 2016/17							
Deficit on Provision of Services	(868)	0	0	0	(868)	0	(868)
Other Comprehensive Expenditure and Income	0	0	0	0	0	380	380
Total Comprehensive Expenditure and Income	**(868)**	**0**	**0**	**0**	**(868)**	**380**	**(488)**
Adjustments between accounting basis and funding basis under regulation (note 8)	1,355	0	(1,182)	63	236	(236)	0
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	**487**	**0**	**(1,182)**	**63**	**(632)**	**144**	**(488)**
Transfers (to)/from Earmarked Reserves (note 9)	(459)	459	90	0	90	(90)	0
Increase/(Decrease) in 2016/17	**28**	**459**	**(1,092)**	**63**	**(542)**	**54**	**(488)**
Balance at 31 March 2017 carried forward	**2,422**	**5,854**	**38**	**108**	**8,422**	**(3,448)**	**4,974**

2017/18	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
Balance at 31 March 2017	**2,422**	**5,854**	**38**	**108**	**8,422**	**(3,448)**	**4,974**
Movement in reserves during 2017/18							
Deficit on Provision of Services	(1,696)	0	0	0	(1,696)	0	(1,696)
Other Comprehensive Expenditure and Income	0	0	0	0	0	1,326	1,326
Total Comprehensive Expenditure and Income	**(1,696)**	**0**	**0**	**0**	**(1,696)**	**1,326**	**(370)**
Adjustments between accounting basis and funding basis under regulation (note 8)	3,163	0	(32)	50	3,181	(3,181)	0
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	**1,467**	**0**	**(32)**	**50**	**1,485**	**(1,855)**	**(370)**
Transfers to / (from) Earmarked Reserves (note 9)	(1,467)	1,467	0	0	0	0	0
Increase/(Decrease) in 2017/18	**0**	**1,467**	**(32)**	**50**	**1,485**	**(1,855)**	**(370)**
Balance at 31 March 2018 carried forward	**2,422**	**7,321**	**6**	**158**	**9,907**	**(5,303)**	**4,604**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Council restructured its operations with effect from 1 April 2017. Under the revised structure, the planning function and associated teams moved from being part of the Resources and Customer Services service to the Planning, Policy and Governance service. The prior year comparators within the Comprehensive Income and Expenditure Account have been restated to take account of the impact of this change. As a consequence of the restatement, gross expenditure totalling £1.390m has moved from the Resources and Customers services heading to the Planning, Policy and Governance heading. Gross income totalling £0.786m has moved between the same two headings. The impact on net expenditure is an adjustment of £0.604m.

2016/17 (Restated)				**2017/18**		
Gross Expenditure	Gross Income	Net Expenditure		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	£000	£000		**£000**	**£000**	**£000**
1,535	(504)	1,031	Growth and Infrastructure	**2,142**	**(1,086)**	**1,056**
11,986	(5,733)	6,253	Housing, Environment, Leisure and Community	**13,695**	**(7,405)**	**6,290**
34,301	(31,035)	3,266	Resources and Customer Services	**32,922**	**(29,391)**	**3,531**
2,963	(1,259)	1,704	Planning, Policy and Governance	**3,331**	**(1,529)**	**1,802**
50,785	**(38,531)**	**12,254**	**Cost of Services**	**52,090**	**(39,411)**	**12,679**

2016/17 (Restated)				**2017/18**		
Gross Expenditure	Gross Income	Net Expenditure		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	£000	£000		**£000**	**£000**	**£000**
50,785	**(38,531)**	**12,254**	**Cost of Services**	**52,090**	**39,411**	**12,679**
		2,573	Other operating expenditure (note 10)			2,475
		3,020	Financing and investment income and expenditure (note 11)			2,544
		(16,979)	Taxation and non-specific grant income (note 12)			(16,002)
		868	**Deficit on Provision of Services**			**1,696**
		(3,252)	Deficit on revaluation of property, plant and equipment assets (note 27)			39
		2,872	Re-measurement of net defined benefit liability/(asset) (note 40)			(1,365)
		(380)	**Other Comprehensive Income and Expenditure**			**(1,326)**
		488	**Total Comprehensive Income and Expenditure**			**370**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes 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; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017 £000		Note	31 March 2018 £000
50,968	Property, Plant and Equipment	13	50,102
1,381	Investment Property	14	1,302
122	Intangible Assets	15	75
675	Long Term Debtors	16	464
53,146	**Long Term Assets**		**51,943**
18,523	Short Term Investments	17	13,013
64	Inventories	20	94
4,871	Short Term Debtors	21	5,586
3,149	Cash and Cash Equivalents	22	7,148
77	Assets held for sale		23
26,684	**Current Assets**		**25,864**
(35)	Short Term Borrowing		(36)
(215)	Short Term Finance Lease Liability	38	(152)
(6,937)	Short Term Creditors	23	(6,609)
(1,105)	Receipts in Advance	24	(1,178)
(3,000)	Provisions	25	(693)
(11,292)	**Current Liabilities**		**(8,668)**
(7,800)	Long Term Borrowing	19	(7,800)
(715)	Finance Lease Liability	38	(563)
(55,049)	Defined Benefit Pension Liability	40	(56,172)
(63,564)	**Long Term Liabilities**		**(64,535)**
4,974	**Net Assets**		**4,604**
8,422	Usable Reserves	26	9,907
(3,448)	Unusable Reserves	27	(5,303)
4,974	**Total Reserves**		**4,604**

The notes on page 29 to 98 form part of the financial statements.

Signed: …………………………………………. **Brendan Arnold** 25 May 2018

THE CASH FLOW STATEMENT

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

2016/17 £000		2017/18 £000
(868)	**Net deficit on the provision of services**	**(1,696)**
4,976	Adjust net Deficit on the provision of services for non-cash movements (note 28)	1,886
(277)	Adjust for items included in the net Deficit on the provision of services that are investing and financing activities (note 28)	(1,389)
3,831	**Net cash flows from Operating Activities**	**(1,199)**
(4,662)	Investing Activities (note 29)	6,050
(517)	Financing Activities (note 30)	(852)
(1,348)	**Net increase/(decrease) in cash and cash equivalents**	**3,999**
4,497	Cash and cash equivalents at the beginning of the reporting period (note 22)	3,149
3,149	**Cash and cash equivalents at the end of the reporting period (note 22)**	**7,148**

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis (EFA) is a note to the Financial Statements, however, it is positioned here as it provides a link from the figures reported in the Council's Outturn Report to the CIES. The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by Local Council's in comparison with those resources consumed or earned by Council's in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17 (Restated)				**2017/18**		
Net Expenditure Chargeable to General Fund	**Adjustments between Funding and Accounting Basis (Note 6)**	**Net Expenditure in the CIES**		**Net Expenditure Chargeable to General Fund**	**Adjustments between Funding and Accounting Basis (Note 6)**	**Net Expenditure in the CIES**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
889	142	1,031	Growth and Infrastructure	**1,104**	**(48)**	**1,056**
4,500	1,753	6,253	Housing, Environment, Leisure and Community	**3,582**	**2,708**	**6,290**
5,901	(2,635)	3,266	Resources and Customer Services	**6,056**	**(2,525)**	**3,531**
1,571	133	1,704	Planning, Policy and Governance	**1,541**	**261**	**1,802**
12,861	**(607)**	**12,254**	**Net Cost of Services**	**12,283**	**396**	**12,679**
(12,889)	**1,503**	**(11,386)**	Other Income and Expenditure	**(12,283)**	**1,300**	**(10,983)**
(28)	**896**	**868**	**(Surplus) or Deficit**	**0**	**1,696**	**1,696**
2,394			**Opening General Fund Balance**	**2,422**		
28			**Less/Plus Surplus or (Deficit) on General Fund in Year**	**0**		
2,422			**Closing General Fund Balance at 31st March**	**2,422**		

INDEX TO THE NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS). Policies have been consistently applied except for the policy in relation to heritage assets where some of the measurement rules are relaxed (details are provided in paragraph xi below).

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

ii. ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplied, received and their consumption, they are carried as inventories on the Balance Sheet. Exceptions to this principle include utility bills, maintenance contracts and other similar quarterly payments, which are charged at the date of billing rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

- Interest payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 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 that are repayable on demand and form an integral part of the Council's cash management.

iv. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

v. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and Impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written-off.
- Amortisation of intangible assets attributable to the service.

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

vi. COUNCIL TAX AND NON – DOMESTIC RATES

The Council as billing authority, act as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie 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 and prepayments and appeals.

vii. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of these benefits or when the Council recognises costs for a restructuring.

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Cambridgeshire County Council pension scheme 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 earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the yields of the constituents of the IBoxx £ Corporates AA index and the Council's weighted average duration).

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

  quoted securities – current bid price
  unquoted securities – professional estimate
  unitised securities – current bid price
  property – market value

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

  Service cost comprising:

  current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

the return on plan assets – excluding amounts included in net interest on the net defined liability (asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserves as Other Comprehensive Income and expenditure.

Contributions paid to the Cambridgeshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. FAIR VALUE MEASUREMENT

The Council measures some of its non- financial assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

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

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This

takes into account the three levels of categories for inputs to valuations for fair value assets:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

ix. FINANCIAL INSTRUMENTS

A financial asset or liability is recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the instrument. This will normally be the date that a contract is entered into but may be later if there are conditions that need to be satisfied.

Financial assets are recognised by the Council on the Balance Sheet only when goods or services have been provided or rendered to a third party. Financial liabilities are recognised when the goods or services ordered from a third party have been received by the Council and the third party has performed its contractual obligations.

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. 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 Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets could be classified into two types;

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

The Council currently only has assets classified as "loans and receivables".

Loans and Receivables

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

However, the Council has made a number of loans to private individuals at nil interest and the loans form a charge on the individual's properties. This means that market rates of interest have not been charged and these loans are classed as "soft loans". When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at the real effective rate of interest with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

x. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

xi. HERITAGE ASSETS

Heritage assets are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by this Council are monuments, war memorials, public clocks, civic regalia and operational historic buildings in cemeteries.

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

The historical cemetery buildings are operational assets accounted for at depreciated replacement cost within Property, Plant and Equipment in the Balance Sheet.

The remaining heritage assets are not recognised in the financial statements as no information is available on the cost.

The Council is of the view that obtaining valuations for these assets would involve a disproportionate cost in comparison to the benefits that would be provided to the users of the Council's financial statement.

These assets are recorded in the asset register of the Council and detailed records are kept on each asset.

xii. INTANGIBLE ASSETS

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

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

Intangible assets are initially measured at cost. Amounts are only revalued where the current value of the assets held by the Council can be determined by reference to an active market. In practice no intangible assets held by the Council meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired; any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii. INVENTORIES

Inventories are valued at latest price, with an allowance made for obsolete and slow moving items. While this is a departure from the requirements of the Code of Practice on Local Authority Accounting and IAS 2, which require inventories to be shown at the lower of cost and net realisable value, the effect of the different treatment is not material.

xiv. INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. 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 element 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 dependant on the use of specific assets.

<u>The Council as Lessee</u>

Finance Leases

Property, plant and equipment held under a finance lease are 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 the lessor. Indirect costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, generally meaning that rentals are charged when they become payable.

<u>The Council as Lessor</u>

Operating Leases

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

xvi. OVERHEADS AND SUPPORT SERVICES

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

xvii. 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 for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. Assets valued at less than £10,000 are not normally recognised in the Balance Sheet. The exception to this principal relates to land holdings which may have a current value of less than £10,000 but where they meet the Assets Held for Sale criteria. The total value of such assets does not materially affect the Property, Plant and Equipment disclosure note.

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Surplus assets – the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialised nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service revenue line(s) in the Comprehensive income and Expenditure Statement.

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service revenue line(s) in the Comprehensive income and Expenditure Statement.

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

Depreciation

Depreciation is provided on Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer.

- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer.

- Infrastructure – straight – line allocation up to 40 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Disposal proceeds in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii. PROVISIONS

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

xix. CONTINGENT LIABILITIES

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

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

xx. CONTINGENT ASSETS

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

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

xxi. RESERVES

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

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

xxii. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

xxiii. VALUE ADDED TAX (VAT)

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

The Council has complied with the Code of Practice on Local Authority Accounting, with the exception of its inventory policy as stated above. Despite this departure from the code, management has concluded that the accounts present a true and fair view of the Council's financial position, financial performance and cash flows.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Under the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) the Council is required to disclose information setting out the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Authority's financial position is likely to be immaterial. The main financial assets held by the Authority will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. In addition, the high credit quality adopted by the Authority for its investment counterparties is likely to see an immaterial expected credit loss position.

IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 29) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. The Council has no such debt instruments.

IFRS 16 Leases (to be adopted in the 2019/20 Code) removes the existing classification of operating and finance leases under *IAS 17 Leases for lessees*. This 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 an exemption for low-value and short-term leases of 12 months or less). The Council currently has a number of operating and finance leases as reported at Note 38.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1 to the financial statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the financial statements are:

Funding

There is a high degree of uncertainty about future levels of funding for local Government.

However, the Council has determined that the uncertainty is such that it is not possible to determine whether or not there may be an impairment of assets as a result of a need to close facilities and reduce levels of service provision.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, the Council is liable for successful appeals against business rates charged to businesses in 2017/18 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2018. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31st March 2018. The Council's share of the balance of business rate appeals provisions held at this date amounted to £0.692m this has decreased by £0.349m from the previous year.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The financial statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The following items in the Council's Balance Sheet as at 31 March 2018 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation are provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment. The Council's valuers provide estimates for the useful life of property assets. The methodology for valuing properties at Depreciated Replacement Cost (DRC), eg. Leisure Centres, includes an adjustment for obsolescence as deemed reasonable by the Council's valuers and management	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £15k for every year that useful life is reduced.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example: (i) a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £13.783m (ii) a 0.5% increase in the salary increase rate would result in an increase in the pension liability of £2.162m. (iv) a 0.5% increase in the pension increase rate would result in an increase in the pension liability of £11.434m. However, the assumptions interact in complex ways, so care should be taken when looking at changes in one variable in isolation.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

The Council's net share of non-domestic rates income totalling £9.923m and the tariff of £5.629m payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

6. EXPENDITURE AND FUNDING ADJUSTMENTS ANALYSIS

Adjustments between Funding and Accounting Basis 2017/18	**Adjustments for Capital Purposes (Note i) £000**	**Net Change for the Pensions Adjustment (Note ii) £000**	**Other Differences (Note iii) £000**	**Total Adjustments £000**
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts				
Growth and Infrastructure	191	34	(273)	(48)
Housing, Environment, Leisure and Community	970	654	1,084	2,708
Resources and Customer Services	90	107	(2,722)	(2,525)
Planning, Policy and Governance	41	146	74	261
Net Cost of Services	**1,292**	**941**	**(1,837)**	**396**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(572)**	**1,545**	**327**	**1,300**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**720**	**2,486**	**(1,510)**	**1,696**

Adjustments between Funding and Accounting Basis 2016/17 (Restated)	Adjustments for Capital Purposes (Note i)	Net Change for the Pensions Adjustment (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts				
Growth and Infrastructure	69	(5)	78	142
Housing, Environment, Leisure and Community	783	(55)	1,025	1,753
Resources and Customer Services	73	1	(2,709)	(2,635)
Planning, Policy and Governance	69	(16)	80	133
Net Cost of Services	**994**	**(75)**	**(1,526)**	**(607)**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(75)**	**2,350**	**(772)**	**1,503**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**919**	**2,275**	**(2,298)**	**896**

Note (i): Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and Investment Income and Expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions of for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or where conditions attached to the grant were satisfied in the year.

Note (ii): Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

For Services – this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Note (iii): Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

The charge under **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Segmental Income

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

Services	**2017/18 Income from Services £000**	**2016/17 Income from Services (Restated) £000**
Growth and Infrastructure	**(162)**	(249)
Housing, Environment, Leisure and Community	**(5,911)**	(4,696)
Resources and Customer Services	**(21)**	(514)
Planning, Policy and Governance	**(1,422)**	(1,214)
Financing and Investment Income	**(2,191)**	(2,295)
Total Fees, charges and other service income	**(9,707)**	**(8,968)**

7. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2017/18 £000	2016/17 £000
Expenditure		
Employee Benefits Expenses	**16,077**	15,465
Other Service Expenses	**39,377**	38,994
Depreciation, Amortisation, Impairment	**1,803**	1,388
Interest Payments	**512**	508
Precepts and Levies	**3,600**	2,588
Loss/(Gain) on the Disposal of Assets	**(256)**	(104)
Total Expenditure	**61,113**	**58,839**
Fees, Charges and Other Service Income	**(9,707)**	(8,968)
Interest and Investment Income	**(130)**	(167)
Income from Council Tax and Non-Domestic Rates	**(12,942)**	(12,436)
Government Grants and Contributions	**(36,638)**	(36,400)
Total Income	**(59,417)**	**(57,971)**
Deficit on Provision of Services	**1,696**	**868**

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied Account

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/ or the financial year in which this can take place.

2017/18	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,640	0	0	(1,640)
Revaluation Surplus on Property, Plant and Equipment	31	0	0	(31)
Movements in the market value of Investment Properties	80	0	0	(80)
Amortisation of intangible assets	54	0	0	(54)
Capital grants and contributions that have been applied to capital financing	(1,067)	0	0	1,067
Revenue expenditure funded from capital under statute	1,017	0	0	(1,017)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	52	0	0	(52)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(215)	0	0	215
Capital expenditure charged against General Fund Balance	(224)	0	0	224
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(311)	311	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(584)	0	584
Miscellaneous Capital receipt	(13)	13	0	0
Transfer of deferred capital receipts to useable capital receipts reserve on receipt of cash	0	228	0	(228)

2017/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	Usable Reserves			
	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(50)	0	50	0
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are Different from finance costs chargeable in the year in accordance with statutory requirements	(7)	0	0	7
Adjustments primarily involving the LGPS Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,845	0	0	(4,845)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,357)	0	0	2,357
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(360)	0	0	360
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on An accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	48	0	0	(48)
Total Adjustments	**3,163**	**(32)**	**50**	**(3,181)**

2016/17	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,669	0	0	(1,669)
Revaluation Surplus on Property, Plant and Equipment	(228)	0	0	228
Movements in the market value of Investment Properties	(113)	0	0	113
Amortisation of intangible assets	60	0	0	(60)
Capital grants and contributions that have been applied to capital financing	(943)	0	0	943
Revenue expenditure funded from capital under statute	891	0	0	(891)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	136	0	0	(136)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(242)	0	0	242
Capital expenditure charged against General Fund Balance	(17)	0	0	17
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(240)	240	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(1,429)	0	1,429
Miscellaneous Capital receipts	(7)	7	0	0

2016/17	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(65)	0	65	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(2)	2
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(10)	0	0	10
Adjustments primarily involving the LGPS Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,833	0	0	(3,833)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,153)	0	0	2,153
Adjustments primarily involving the Pilots' National Pension Fund:				
Reversal of items relating to post-employment benefits debited to Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,304)	0	0	1,304
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and non-domestic rating income calculated for the year in accordance with statutory requirements	24	0	0	(24)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	64	0	0	(64)
Total Adjustments	**1,355**	**(1,182)**	**63**	**(236)**

9. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2017/18.

	Note	Balance at 1 April 2016	Movements in year		Balance at 31 March 2017	Movements in year		Balance at 31 March 2018
			Receipts	Applied		Receipts	Applied	
		£000	£000	£000	£000	£000	£000	£000
Travellers Sites	1	**233**	**31**	**(8)**	**256**	**28**	**(2)**	**282**
Maintenance - Station Road, Whittlesey	2	**3**	**3**	**0**	**6**	**3**	**0**	**9**
CCTV	3	**89**	**10**	**0**	**99**	**10**	**(4)**	**105**
Invest to Save	4	**120**	**0**	**0**	**120**	**0**	**0**	**120**
Conservation	5	**54**	**0**	**0**	**54**	**0**	**0**	**54**
Management of Change Reserve	6	**1,199**	**0**	**(1)**	**1,198**	**335**	**(212)**	**1,321**
Neighbourhood Planning Reserve	7	**195**	**0**	**0**	**195**	**0**	**(10)**	**185**
Specific Grants Reserve	8	**388**	**298**	**(44)**	**642**	**526**	**(129)**	**1,039**
Personal Search Fees	9	**125**	**7**	**(17)**	**115**	**0**	**0**	**115**
Community Projects	10	**12**	**0**	**0**	**12**	**0**	**0**	**12**
Local Government Resource Review	11	**500**	**0**	**0**	**500**	**0**	**0**	**500**
Capital Contribution Reserve	12	**665**	**0**	**(8)**	**657**	**600**	**(10)**	**1,247**
Port – Buoy Maintenance	13	**149**	**0**	**0**	**149**	**0**	**(2)**	**147**
Pilots' National Pension Fund	14	**1,651**	**700**	**(1,900)**	**451**	**0**	**0**	**451**
Wisbech 2020 Vision	15	**12**	**0**	**(12)**	**0**	**0**	**0**	**0**
Repairs & Maintenance Reserve	16	**0**	**400**	**0**	**400**	**143**	**0**	**543**
Development Fund	17	**0**	**1,000**	**0**	**1,000**	**0**	**0**	**1,000**
Wisbech High St HLF Reserve	18	**0**	**0**	**0**	**0**	**191**	**0**	**191**
Total		**5,395**	**2,449**	**(1,990)**	**5,854**	**1,836**	**(369)**	**7,321**

Notes:

1. The Travellers Sites Reserve is used to fund future maintenance programmes.

2. The Station Road, Whittlesey Reserve was set up in 2004/05, to finance future maintenance costs in relation to the un-adopted estate road. Contributions are received annually from the Companies who have purchased the freehold of individual sites.

3. CCTV Reserve is to provide for future plant and equipment requirements.

4. The Invest to Save Reserve was set up for services to “borrow” from in order to finance ways of producing savings. The reserve will be used to fund schemes in the Council’s ‘Keen to be Green’ strategy for carbon reduction.

5. The Conservation Reserve was set up to purchase, renovate and subsequently re-sell difficult properties of local importance where intervention by this Council is seen as the only solution.

6. The Management of Change Reserve was established for the effective management of any organisational changes required to meet the Council’s future priorities.

7. The Neighbourhood Planning Reserve was created to assist the Council with delivering the ‘Neighbourhood Planning’ objective and delivery of the new Development Plan.

8. Specific grants received in year but not spent. Balance available to fund specific spending commitments in future years.

9. Available to off-set potential restitution claims associated with the revocation of the personal search fees of the local land charges register.

10. Available to assist local community projects.

11. The Local Government Resource Review Reserve was established to assist the Council in delivering the localisation of council tax support and business rates retention from 2013/14.

12. The Capital Contributions Reserve was established to provide funding for future capital schemes.

13. The Port Buoy Maintenance Reserve was established to provide funding for future buoy maintenance to windfarms.

14. The Pilots’ National Pension Fund Reserve was established to provide funding for future liabilities that might arise resulting from Pilots membership of the scheme.

15. The Wisbech 2020 Vision Reserve was established in 2015/16 to provide funding towards the development and production of a masterplan for the regeneration of Wisbech.

16. The Repairs and Maintenance Reserve was established in 2016/17 to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.

17. A Development Fund was established in 2016/17 to enable progression of future development and property schemes.

18. The Wisbech High Street Heritage Lottery Fund Reserve was established in 2017/18 to facilitate work on grant-funded projects on buildings located in Wisbech High Street.

10. OTHER OPERATING EXPENDITURE

	2017/18 £000	2016/17 £000
Parish Council Precepts	**1,260**	1,194
Council Tax Support Grant – Payments to Parish Councils	**59**	89
Drainage Board Levies	**1,412**	1,394
Gains on the disposal of non-current assets	**(256)**	(104)
Total	**2,475**	**2,573**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18 £000	2016/17 £000
Deficit on Trading Accounts	**729**	1,096
Interest payable and similar charges	**512**	508
Interest on the net defined pension liability	**1,445**	1,768
Interest receivable and similar income	**(130)**	(167)
Income and expenditure in relation to investment properties and changes in their fair value	**(12)**	(185)
Total	**2,544**	**3,020**

12. TAXATION AND NON-SPECIFIC GRANT INCOME

	2017/18 £000	2016/17 £000
Council Tax income	**(8,647)**	(8,323)
Net share of business rate income	**(3,620)**	(4,113)
Non-ringfenced Government grants	**(3,655)**	(4,380)
Capital grants and contributions	**(80)**	(163)
Total	**(16,002)**	**(16,979)**

13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2017/18:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Asset Under Construction	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2017	**36,054**	**14,480**	**0**	**7,677**	**1,532**	**5,097**	**64,840**
Additions	92	628	41	74	9	0	844
Revaluation Surplus/(Deficit) recognised in the Revaluation Reserve	(296)	0	0	0	0	0	(296)
Revaluation Surplus/(Deficit) recognised in the Deficit on the Provision of Services	(345)	0	0	0	(49)	0	(394)
At 31 March 2018	35,505	15,108	41	7,751	1,492	5,097	64,994
Accumulated Depreciation and Impairment							
At 1 April 2017	**(650)**	**(10,767)**	**0**	**(2,367)**	**(88)**	**0**	**(13,872)**
Depreciation charge	(392)	(740)	0	(292)	0	0	(1,424)
Depreciation charge to the Revaluation Reserve	(216)	0	0	0	0	0	(216)
Depreciation charge written out to the Deficit on the provision of services	363	0	0	0	0	0	363
Depreciation charge written out to the Revaluation Reserve	257	0	0	0	0	0	257
At 31 March 2018	(638)	(11,507)	0	(2,659)	(88)	0	(14,892)
Net Book Value							
At 31 March 2018	**34,867**	**3,601**	**41**	**5,092**	**1,404**	**5,097**	**50,102**
At 31 March 2017	**35,404**	**3,713**	**0**	**5,310**	**1,444**	**5,097**	**50,968**

Comparative Movements in 2016/17:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2016	**32,122**	**13,861**	**7,574**	**1,463**	**5,420**	**60,440**
Additions	873	619	103	41	0	1,636
Revaluation Surplus/(Deficit) recognised in the Revaluation Reserve	3,220	0	0	0	(165)	3,055
Revaluation Surplus/(Deficit) recognised in the Deficit on the Provision of Services	(147)	0	0	28	0	(119)
Assets reclassified to/from Held for Sale	(14)	0	0	0	(158)	(172)
Other Assets reclassified	0	0	0	0	0	0
At 31 March 2017	**36,054**	**14,480**	**7,677**	**1,532**	**5,097**	**64,840**
Accumulated Depreciation and Impairment						
At 1 April 2016	**(566)**	**(10,014)**	**(2,079)**	**(88)**	**(0)**	**(12,747)**
Depreciation charge	(371)	(753)	(287)	0	0	(1,411)
Depreciation charge to Revaluation Reserve	(258)	0	0	0	0	(258)
Depreciation charge written out to the Deficit on the provision of services	348	0	0	0	0	348
Depreciation charge written out to the Revaluation Reserve	197	0	0	0	0	197
Impairment losses recognised in the deficit on the Provision of Services	0	0	(1)	0	0	(1)
At 31 March 2017	**(650)**	**(10,767)**	**(2,367)**	**(88)**	**(0)**	**(13,872)**
Net Book Value						
At 31 March 2017	**35,404**	**3,713**	**5,310**	**1,444**	**5,097**	**50,968**
At 31 March 2016	**31,556**	**3,847**	**5,495**	**1,375**	**5,420**	**47,693**

Fair Value Hierarchy

All the Council’s surplus assets and investment properties have been assessed as Level 2 on the fair value hierarchy for valuation purposes (see accounting policy note 1 viii for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets and Investment Properties

The fair value of surplus assets and investment properties have been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for surplus assets or investment properties

Highest and Best Use

In ascertaining the fair value of the Council's surplus assets and investment properties the ultimate aim is to arrive at the notional 'Highest and Best use value' for the asset either as a stand-alone asset or in combination with other assets within the principal market whilst ensuring that any alternative use is physically, legally and financially possible.

This has been achieved, for these purposes, by comparing the 'current use' of the asset to the notional 'alternative use' based on potential redevelopment on a land value basis for the site(s).

Valuation Process for Surplus Assets and Investment Properties

The Council's investment properties have been valued as at 31 March 2018 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings – Up to 50 years
- Vehicles, Plant, Furniture & Equipment – 5-20 years
- Infrastructure – Up to 40 years

Capital Commitments

At 31 March 2018, the Council had contractual capital commitments of £0.214m (2016/17: £0.750m).

Revaluations

A full re-valuation of all assets valued at fair value was undertaken at 1 April 2015. Valuations of high value assets are updated by way of an annual review. All assets required to be valued at current value are re-valued at least every 5 years.

In addition, the Council instructs its valuers annually to undertake a market review of all land and property assets, to ensure that the carrying value of those assets is not materially different from their fair value at the end of the reporting period.

The review undertaken this year concluded that the current value for assets valued at Depreciated Replacement Cost (DRC) experienced a significant change in value due to increases in building costs and change in location factors. As a result of this review, desktop valuations were conducted for all assets that are valued on a DRC basis. These valuations are reflected in the Balance Sheet.

All valuations were carried out externally by Wilks Head & Eve in accordance with the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuations is set out in the accounting policies, note 1 of the financial statements.

The following table analyses the Council's Property, Plant and Equipment according to when it was last revalued. It includes those assets held at historical cost valuation in accordance with the requirements of the CIPFA Code of Accounting Practice. All other assets have been revalued in accordance with the process explained above

	Land & Buildings £000	**Infrastructure Assets £000**	**Community Assets £000**	**Vehicles, Plant & Equipment £000**	**Surplus Assets £000**	**Total £000**
Valued at historical cost	0	5,092	1,404	3,601	0	10,097
Valued at current/fair value as at:						
31 March 2016	2,668	0	0	0	5,097	7,765
31 March 2018	32,199	0	0	0	0	32,199
Total	34,867	5,092	1,404	3,601	5,097	50,061

14. INVESTMENT PROPERTY

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:

	2017/18 £000	**2016/17 £000**
Rental income from investment property	**(91)**	(72)
Loss/(Gain) on revaluation of investment property	**79**	(113)
Net Gain on disposal of investment property	**0**	0
Net (Gain)/Loss	**(12)**	**(185)**

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

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

	2017/18 £000	2016/17 £000
Balance at start of the year	**1,381**	1,268
Net gain/(loss) from fair value adjustments	**(79)**	113
Balance at end of the year	**1,302**	**1,381**

Fair Value Hierarchy

All the Council’s investment properties have been assessed as Level 2 on the fair value hierarchy for valuation purposes (see accounting policy note 1 viii and note 11 to the core financial statements for an explanation of the fair value levels).

15. INTANGIBLE ASSETS

Purchased software licences are held for a variety of IT systems. All software is given a 5 year finite useful life, based on assessments of the period that the software is expected to be used by the Council and to be consistent with the general policy for all capitalised IT purchases.

The carrying amount of intangible assets is amortised on a straight line basis in line with the Council’s general depreciation/amortisation policy. The amortisation of £54,000 charged to revenue in 2017/18 is charged to the IT cost centre and then absorbed as an overhead across all service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2017/18 £000	2016/17 £000
Balance at start of year		
Gross Carrying amount	**1,479**	1,455
Accumulated amortisation	**(1,357)**	(1,297)
Net carrying amount at start of year	**122**	**158**
Additions	**7**	24
Amortisation for the year	**(54)**	(60)
Net carrying amount at end of year	**75**	**122**
Comprising:		
Gross carrying amounts	**1,486**	1,479
Accumulated amortisation	**(1,411)**	**(1,357)**

16. LONG TERM DEBTORS

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

	31 March 2018 £000	31 March 2017 £000
Mortgages	**53**	55
Private sector housing improvement loans	**129**	119
Deferred land sale proceeds	**30**	258
Employee car loans	**219**	208
Other	**33**	35
Total	**464**	**675**

17. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Carrying amount	
	31 March 2018 £000	31 March 2017 £000
Financial liabilities		
Long Term Liabilities	**(7,800)**	(7,800)
Short Term Borrowings	**(36)**	(35)
Creditors	**(3,185)**	(3,565)
	(11,021)	**(11,400)**
Loans & Receivables		
Total Debtors	**2,658**	2,443
Cash & Cash Equivalents	**7,148**	3,149
Investments	**13,013**	18,523
	22,819	**24,115**

Statutory debt owed to/from the Council such as, Council Tax, NNDR and amounts owed to/from other Government bodies is removed from the financial instruments analysis.

Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Liabilities measured at amortised cost 31 March 2018 £000	Loans and Receivables 31 March 2018 £000	Total 31 March 2018 £000
Interest Income – soft loans	0	(3)	**(3)**
Interest and Investment Income	0	(121)	**(121)**
Increase in bad debts provision	0	270	**270**
Interest payable and similar charges	516	0	**516**
Net loss for year	516	146	**662**

	Liabilities measured at amortised cost 31 March 2017 £000	Loans and Receivables 31 March 2017 £000	Total 31 March 2017 £000
Interest Income – soft loans	0	(6)	**(6)**
Interest and Investment Income	0	(160)	**(160)**
Increase in bad debts provision	0	284	**284**
Interest payable and similar charges	508	0	**508**
Net loss for year	508	118	**626**

Realised and unrealised gains and losses, interest and other items of income and expense are accounted for in the financial year to which they relate and are shown at actual value paid or received.

The increase in bad debts provision reflects the additional amount required in the year which is chargeable to the Comprehensive Income and Expenditure Statement

18. FAIR VALUE OF ASSETS AND LIABILITIES

Financial liabilities and financial assets (loans and receivables) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (level 2 on the fair value hierarchy, see accounting policy note 1 viii), using the following assumptions:

- No early repayment or impairment is recognised

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to the fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- For loans from the Public Works Loan Board (PWLB), new borrowing rates have been applied from the PWLB to provide fair value disclosures at the balance sheet date. As an alternative, the Debt Management Office provides a fair value valuation under PWLB debt redemption procedures calculated without undertaking a repayment or transfer.
- For other market debt, PWLB (new certainty) prevailing market rates have been applied to provide the fair value disclosures at the balance sheet date.

As at 31 March 2018 the Council held £22.82m financial assets and £11.02m liabilities for which level 3 valuations will not apply. All the financial assets are classed as loans and receivables and held within Notice Accounts. The financial liabilities are held with PWLB and market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, for all long-term liabilities we have used a financial model valuation provided by Link Asset Services. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses new borrowing rates to discount the future cash flows.

In accordance with advice received from Link Asset Services the fair value of all financial instruments classified as being short-term in the balance sheet has been assumed to be the same as the book value.

	Carrying Amount 31 March 2018 £000	**Fair Value 31 March 2018 £000**	**Carrying Amount 31 March 2017 £000**	**Fair Value 31 March 2017 £000**
Financial liabilities				
Long Term Liabilities	**(7,800)**	**(11,997)**	**(7,800)**	**(12,377)**
Short Term Borrowing	**(36)**	**(36)**	**(35)**	**(35)**
Creditors	**(3,185)**	**(3,185)**	**(3,565)**	**(3,565)**
	(11,021)	**(15,218)**	**(11,400)**	**(15,977)**
Loans & Receivables				
Total Debtors	**2,658**	**2,658**	**2,443**	**2,443**
Cash & Cash Equivalents	**7,148**	**7,148**	**3,149**	**3,149**
Investments	**13,013**	**13,013**	**18,523**	**18,523**
	22,819	**22,819**	**24,115**	**24,115**
Total	**11,798**	**7,601**	**12,715**	**8,138**

The fair value of long term liabilities are greater than the carrying amount due to the Council's portfolio of loans consisting of a number of fixed rate loans, where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. The fair value of creditors is taken to be the invoiced amount.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. As a result of its PWLB commitments for fixed rate loans a comparison of the terms of these loans with the new borrowing rates available from the PWLB has been used to calculate the fair value. If a value is calculated on this basis, the carrying amount of £4.532m would be valued at £6.936m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £3.039m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £7.571m

This redemption charge is a supplementary measure of the fair value of the PWLB loans of £7.571m. It measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value, measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

How the Council Manages These Risks

The Council's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. In addition, the Investment strategy also limits maximum amounts and time limits to be deposited in respect of each financial institution. Additional selection criteria are also applied after this initial criteria is applied. Full details of the Investment Strategy can be found on the Council's website.

Deposits are not made with banks and financial institutions unless they meet the minimum criteria laid out within the creditworthiness service provided by Capita Asset Services (see Annual Investment Strategy). A maximum of £5m is allowed to be invested (£10m with the Council's approved bank) within any one approved institution for up to 5 years. Unlimited overnight investments levels are allowed with the Council's approved bank.

At 31 March 2018 there was a maximum of £5m with approved counterparties and a maximum of 2 times this limit may be invested in total with counterparties belonging to the same group.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to investments at 31 March 2018 and that any residual risk cannot be quantified.

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

		Maturity Bands		
31 March 2018	**Less than 3 Months**	**3 Months to 6 Months**	**6 Months to 1 year**	**Total**
	£000	**£000**	**£000**	**£000**
Banks	5,000	10,000	0	15,000
Building Societies	1,500	3,000	0	4,500
	6,500	**13,000**	**0**	**19,500**

		Maturity Bands		
31 March 2017	**Less than 3 Months**	**3 Months to 6 Months**	**6 Months to 1 year**	**Total**
	£000	**£000**	**£000**	**£000**
Banks	2,800	9,000	1,500	13,300
Building Societies	0	8,000	0	8,000
	2,800	**17,000**	**1,500**	**21,300**

In relation to sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts. Provision is also made for material individual debts, which the Council believes may not be recoverable.

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

	31 March 2018	**31 March 2017**
	£000	**£000**
Long term debtors	**251**	245
Other debtors	**2,194**	1,767
Total	**2,445**	**2,012**

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

	31 March 2018 £000	31 March 2017 £000
Opening balance	**441**	455
Increase in allowance for impairment	**24**	28
Balances written off during the year	**(35)**	(42)
Closing balance	**430**	**441**

The Council does not generally extend credit to its customers beyond 14 days. At 31 March 2018, of the total debtor and deferred debtor balances of £2.445m (£2.012m at 31 March 2017), the past due amount was £382,000 (£307,000 at 31 March 2017) and can be analysed by age as follows:

Customer Debts	31 March 2018 £000	31 March 2017 £000
Less than one year	**124**	182
More than one year	**258**	125
Total	**382**	**307**

The Council believes it has taken all reasonable steps to minimise any exposure to credit risks in relation to those customer debts that are past due but not impaired at 31 March 2018 and that any residual risk cannot be quantified.

Liquidity Risk

As the Council has ready access to borrowings from the PWLB, it does not face any significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All financial liabilities as at 31 March 2018 are due within one year, apart from long term borrowings and finance lease liabilities. The maturity analysis of long term borrowing is as follows:

	31 March 2018 £000	31 March 2017 £000
Between 10 and 15 years	**4,500**	4,500
Between 35 and 40 years	**3,300**	3,300
Total	**7,800**	**7,800**

All trade and other payables are due to be paid in less than one year.

Market Risk – Interest Rate Risk

The Council is exposed to minimal risk in respect of adverse interest rate movements in its investments. This is because fixed rate investments are of less than one year in duration and the changes to fair value will be minimal. The Council does, however, utilise “call accounts” for short term deposits and the interest rate on these accounts move in line with the bank base rate. In general terms, a rise in interest rates would have the following effects:

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

The Council's treasury management officers play a pro-active role in assessing interest rate exposure that feeds into the Council's annual budget setting process and which is used to revise budget projections as necessary during the financial year. The assessment procedures indicate that if interest rates were one percentage point higher, with all other variables held constant, the effect in 2017/18 would have been a reduction in income of £80,000 (£71,000 reduction in 2016/17).

The impact of a one percentage point fall in interest rates would be the reverse of the net effect identified in the table above. The Code of Practice on Local Authority Accounting 2017/18 suggests a sensitivity analysis of one percentage point.

20. INVENTORIES

	General & Vehicle		Leisure/Post & Printing		Total	
	2017/18 £000	**2016/17 £000**	**2017/18 £000**	**2016/17 £000**	**2017/18 £000**	**2016/17 £000**
Balance outstanding at start of year	**64**	61	**0**	10	**64**	71
Purchases	**352**	338	**0**	12	**352**	350
Recognised as an expense in the year	**(322)**	(335)	**0**	(22)	**(322)**	(357)
Balance outstanding at year-end	**94**	**64**	**0**	**0**	**94**	**64**

21. SHORT TERM DEBTORS

	31 March 2018 £000	31 March 2017 £000
Central Government bodies	**1,734**	1,297
Other local authorities	**335**	348
Council Tax Arrears	**754**	673
Business Rate Arrears	**342**	314
Other entities and individuals	**2,421**	2,239
Total	**5,586**	**4,871**

Each line item is presented net of impairment.

22. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2018 £000	31 March 2017 £000
Cash held by the Council	**6,505**	2,807
Bank Current Accounts	**643**	342
Total Cash and Cash Equivalents	**7,148**	**3,149**

23. SHORT TERM CREDITORS

	31 March 2018 £000	31 March 2017 £000
Central Government bodies	**2,333**	2,574
Other local authorities	**966**	1,100
Other entities and individuals	**3,310**	3,263
Total	**6,609**	**6,937**

24. RECEIPTS IN ADVANCE

	31 March 2018 £000	31 March 2017 £000
Council Tax receipts in advance	**243**	246
Business Rates receipts in advance	**194**	100
Garden Waste receipts in advance	**551**	565
Other	**190**	194
Total	**1,178**	**1,105**

25. PROVISIONS

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	**3,000**	1,328
Additional Provision	**0**	2,544
Utilised in Year	**(2,307)**	(872)
Balance at 31 March	**693**	**3,000**

Included within Provisions are amounts set aside to meet potential future liabilities for Business Rates Appeals. For the period ended 31 March 2017, as well as amounts relating to business rates appeals, the provisions balance included amounts provided in relation to redundancy payments approved before 31st March 2017 and the Pilots National Pension Fund.

26. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 8 and 9 of the financial statements.

27. UNUSABLE RESERVES

	31 March 2018 £000	31 March 2017 £000
Revaluation Reserve	**19,141**	19,442
Capital Adjustment Account	**31,831**	32,353
Financial Instruments Adjustment Account	**(257)**	(264)
Pensions Reserve LGPS	**(56,172)**	(55,049)
Deferred Capital Receipts Reserve	**30**	258
Collection Fund Adjustment Account	**403**	43
Accumulated Absences Account	**(279)**	(231)
Total	**(5,303)**	**(3,448)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2017/18 £000	2016/17 £000
Balance at 1 April	**19,442**	**16,547**
Upward revaluation of assets	**1,026**	3,649
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	**(1,065)**	(397)
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	**(39)**	**3,252**
Difference between fair value depreciation and historical cost depreciation	**(216)**	(258)
Accumulated gains on assets sold or scrapped	**(46)**	(99)
Amount written off to the Capital Adjustment Account	**(262)**	**(357)**
Balance at 31 March	**19,141**	**19,442**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

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 8 of the financial statements provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £000	2016/17 £000
Balance at 1 April	**32,353**	**31,778**
Charges for depreciation and impairment of non-current assets	**(1,640)**	(1,669)
Revaluation Surplus/(Deficit) on Property, Plant and Equipment	**(31)**	228
Amortisation of intangible assets	**(54)**	(60)
Revenue expenditure funded from capital under statute	**(1,017)**	(891)
Private Sector Housing Loans	**(5)**	0
Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	**(52)**	(136)
Adjusting amounts written out of the Revaluation Reserve	**262**	357
Use of the Capital Receipts Reserve to finance new capital expenditure	**589**	1,429
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**1,067**	943
Application of grants to capital financing from the Capital Grants Unapplied Account	**0**	2
Statutory provision for the financing of capital investment charged against the General Fund Balance	**215**	242
Capital expenditure charged against the General Fund Balance	**224**	17
Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement	**(80)**	113
Balance at 31 March	**31,831**	**32,353**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2017/18 £000	2016/17 £000
Balance at 1 April	**(264)**	**(274)**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**4**	4
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**3**	6
Balance at 31 March	**(257)**	**(264)**

Pension Reserve – Local Government Pension Scheme

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

	2017/18 £000	2016/17 £000
Balance at 1 April	**(55,049)**	**(50,497)**
Re-measurements of the net defined benefit liability	**1,365**	(2,872)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(4,845)**	(3,833)
Employer's pensions contributions and direct payments to pensioners payable in the year	**2,357**	2,153
Balance at 31 March	**(56,172)**	**(55,049)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2017/18 £000	2016/17 £000
Balance at 1 April	**258**	**348**
Transfer to the Capital Receipts Reserve upon receipt of cash	**(228)**	(90)
Balance at 31 March	**30**	**258**

Collection Fund Adjustment Account

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

	2017/18 £000	2016/17 £000
Balance at 1 April	**43**	**67**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	**360**	(24)
Balance at 31 March	**403**	**43**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18 £000	£000	2016/17 £000	£000
Balance at 1 April		**(231)**		**(167)**
Settlement or cancellation of accrual made at the end of the preceding year	**231**		167	
Amounts accrued at the end of the current year	**(279)**		(231)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(48)**		**(64)**
Balance at 31 March		**(279)**		**(231)**

28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

a) Adjust net deficit on the provision of services for non-cash movements.

	2017/18 £000	2016/17 £000
Depreciation	**1,640**	1,669
Impairment & downward/upward revaluations	**31**	(228)
Amortisation	**54**	60
Increase in impairment for bad debts	**312**	284
Increase/(decrease) in Creditors	**619**	1,378
(Increase) in Debtors	**(1,055)**	(235)
Decrease/(Increase) in inventories	**(30)**	7
Movement in pension liability	**2,488**	1,680
Movement in Pilots' pension liability	**0**	(1,304)
Contribution to/(from) provisions	**(2,307)**	1,959
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	**55**	136
Movement in fair value of investment properties	**79**	(113)
Other non-cash transactions	**0**	(317)
	1,886	**4,976**

b) Adjust for items included in the net deficit on the provision of services that are investing and financing activities.

	2017/18 £000	2016/17 £000
Miscellaneous capital receipts	**0**	(7)
Capital grants credited to the deficit on the provisions of services	**(1,066)**	(30)
Proceeds from the sale of property, plant and equipment	**(323)**	(240)
	(1,389)	**(277)**

c) Interest received and interest paid.

	2017/18 £000	2016/17 £000
Interest received	**130**	157
Interest paid	**(512)**	(511)
	(382)	**(354)**

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2017/18 £000	2016/17 £000
Purchase of property, plant and equipment, investment property and intangible assets	**(1,218)**	(1,228)
Purchase of short-term investments	**(37,000)**	(37,500)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**551**	339
Proceeds from short-term investments	**42,500**	33,500
Other receipts from investing activities	**1,217**	227
Net cash flows from investing activities	**6,050**	**(4,662)**

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2017/18 £000	2016/17 £000
Other receipts from financing activities	**0**	173
Cash payments for the reduction of the outstanding liabilities relating to finance leases	**(215)**	(236)
Other payments for financing activities	**(637)**	(454)
Net cash flows from financing activities	**(852)**	**(517)**

31. TRADING OPERATIONS

Included within the expenditure figures below are capital charges (depreciation, revaluation and impairment) which are reversed out of the General Fund Balance through the Movement in Reverses Statement to ensure there is no impact on the Council's Taxpayer.

Market Undertaking
The Council operates outdoor markets in March, Chatteris and Whittlesey.

	2017/18 £000	2016/17 £000
Expenditure	**108**	88
Income from Stallholders	**(24)**	(28)
Deficit taken to General Fund	**84**	**60**

After adjusting for capital charges the net operating deficit is £80,090 (2016/17: £59,717).

Port Undertaking

The Council is the statutory Port Authority for the Port of Wisbech. Financial results were as follows:

	2017/18 £000	2016/17 £000
Expenditure	**1,501**	1,902
Income from Port Users	**(1,075)**	(1,019)
Deficit taken to General Fund	**426**	**883**

After adjusting for capital charges the net operating deficit is £131,119 (2016/17: £573,874).

Mini-factories and Office Units

The Council operates 69 mini-factory units located in March, Chatteris and Wisbech. South Fens Business Centre, Chatteris offers 45 office and 8 workspace units. The Boathouse, Wisbech offers 37 office units. Financial results were as follows:

	2017/18 £000	2016/17 £000
Expenditure	**1,132**	1,023
Income from Rents	**(793)**	(801)
(Surplus)/Deficit taken to General Fund	**339**	**222**

After adjusting for capital charges the net operating deficit is £225,089 (2016/17: net operating deficit £99,033).

Estates

Estate areas amounting to 44.5 acres are operated by the Council. Financial results are below:

	2017/18 £000	2016/17 £000
Expenditure	**11**	8
Income from Rents	**(2)**	(12)
(Surplus)/Deficit taken to General Fund	**9**	**(4)**

There are no capital charges applicable to this trading account in either the current period or the prior period.

Trade Waste

The financial results for Trade Waste were as follows:

	2017/18 £000	2016/17 £000
Expenditure	**246**	297
Income	**(365)**	(362)
(Surplus) taken to General Fund	**(119)**	**(65)**

After adjusting for capital charges the net operating surplus is £119,450 (2016/17: £66,271).

32. MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year. Full details can be found on the Council's website. Details of payments to individual members are published annually in a local newspaper.

	2017/18 £000	2016/17 £000
Allowances	**310**	307
Expenses	**12**	16
Total	**322**	**323**

33. EMPLOYEES' REMUNERATION

The following table sets out the remuneration disclosures for senior officers who received more than £50,000 per year.

Senior Officers Remuneration

Name	Note	Year	Gross Salary	Benefits in Kind (e.g. car allowance)	Total Remuneration (excl. Pension contributions)	Employers Pension Contributions	Total Remuneration (incl. pension contributions)
			£	£	£	£	£
Chief Executive		**2017/18**	**140,366**	**2,000**	**142,366**	**24,424**	**166,790**
		2016/17	138,976	2,000	140,976	23,626	164,602
Corporate Director and Chief Finance	1	**2017/18**	**78,948**	**7,863**	**86,811**	**13,737**	**100,548**
Officer		2016/17	0	0	0	0	0
Corporate Director and Chief Finance	2	**2017/18**	**10,941**	**1,073**	**12,014**	**1,904**	**13,918**
Officer		2016/17	106,050	10,500	116,550	18,029	134,579
Corporate Director and		**2017/18**	**83,673**	**8,293**	**91,966**	**14,559**	**106,525**
Monitoring Officer	3	2016/17	58,322	7,350	65,672	12,113	77,785
Corporate Director		**2017/18**	**84,336**	**8,400**	**92,736**	**14,674**	**107,410**
		2016/17	83,501	8,400	91,901	14,195	106,096
Corporate Director		**2017/18**	**84,336**	**8,400**	**92,736**	**14,674**	**107,410**
		2016/17	83,501	8,400	91,901	14,195	106,096

Note 1: The Corporate Director and Chief Finance Officer started with the Council on 24th April 2017. The annualised salary is £84,336.
Note 2: The Corporate Director and Chief Finance Officer left the Council on 7th May 2017. The annualised salary was £107,110.
Note 3: The Corporate Director and Monitoring Officer returned from a period of maternity leave during 2016/17. The annualised salary was £77,076.

The numbers of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 are shown in the table below.

Remuneration Band	Number of Employees 2017/18 Total	2016/17 Total
£50,000 - £54,999	**8**	8
£55,000 - £59,999	**10**	11
£60,000 - £64,999	**2**	2
£65,000 - £69,999	**0**	1
£85,000 - £89,999	**1**	0
£90,000 - £94,999	**3**	2
£115,000 - £119,999	**0**	1
£135,000 - £139,999	**0**	0
£140,000 - £144,999	**1**	1

The band changes from 2016/17 to 2017/18 are due to pay progression within individual's terms and conditions, the nationally agreed cost of living increases and a severance payment to one post made redundant during 2016/17.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17 £000	**2017/18 £000**
£0 - £20,000	4	**0**	0	**2**	4	**2**	37	**32**
£20,001- £40,000	2	**0**	0	**0**	2	**0**	44	**0**
£40,001- £60,000	0	**0**	0	**0**	0	**0**	0	**0**
Total	6	**0**	0	**2**	6	**2**	81	**32**
Total cost included CIES							81	**32**

The total cost of exit packages above have been charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

34. EXTERNAL AUDIT COSTS

In 2017/18 Fenland District Council incurred the following fees relating to external audit and inspection:

	2017/18 £000	2016/17 £000
Fees payable with regard to external audit services carried out by the appointed auditor	**43**	50
Fees payable for the certification of grant claims and returns	**14**	16
Fees payable to the Audit Commission in respect of services provided – National Fraud Initiative	**0**	2
Total Audit Costs	**57**	**68**

External audit costs for 2017/18 include an adjustment of £7,310 reflecting a refund the Council received from Public Sector Audit Appointments Limited during the year.

35. GRANT INCOME

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

	2017/18 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	**925**	1,699
Net Share of Business Rate Income	**4,295**	4,113
New Homes Bonus Grant	**1,657**	2,050
Capital Grants and Contributions	**80**	163
Business Rate Reliefs Funded by Government	**1,072**	630
Other Central Government Grants	**1**	1
Total	**8,030**	**8,656**
Credited to Services		
Housing Benefit Subsidy	**28,154**	29,772
Capital Grants and Contributions	**1,028**	845
Housing Benefits/Local Council Tax Support Admin	**485**	520
NNDR Cost of Collection	**124**	128
Care and Repair Grant	**38**	76
Homelessness Prevention	**523**	39
Controlling Migration	**296**	0
New Burdens Grant	**171**	351
Rogue Landlord Grant	**0**	0
Other	**167**	126
Total	**30,986**	**31,857**

The Council has received a number of developer's contributions that have yet to be recognised as income as they have conditions attached to them that require the monies to be returned to the giver if not used as prescribed. This liability is recognised in the Balance Sheet at £1,801,910 (2016/17: £1,673,497).

36. RELATED PARTIES

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. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. No material related party transaction balances remain outstanding at year end.

Central Government
Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government departments are set out in note7 Expenditure and Income Analysed by Nature, to the core financial statements.

Members
A number of elected members are also members of Cambridgeshire County Council, Town and Parish Councils and have an interest in voluntary organisations that are grant aided by the Council.

Entities Controlled or Significantly Influenced by the Council
The Anglia Revenue Partnership (ARP) Joint Committee was set up to deliver the Housing Benefit, Council Tax and Business Rates service for Breckland Council and Forest Heath District Council. East Cambridgeshire District Council joined the partnership on 1 April 2007 and formally joined the Joint Committee in October 2010. St Edmundsbury Council joined the new Joint Committee on 1 April 2011. Waveney District Council, Fenland District Council and Suffolk Coastal joined the partnership on 1 April 2014. The seven authorities hold equal voting rights but shares in costs and surpluses arising from the arrangement are based on an agreed share which is reviewed annually.

This Council's share for 2017/18 was 13.52%.

This Council's share of partnership transactions and balances are included within the relevant lines within the accounts.

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2017/18 £000	2016/17 £000
Opening Capital Financing Requirement	**981**	**1,063**
Capital investment (as reported in notes 13-15)		
Property, Plant and Equipment	**844**	1,636
Intangible Assets	**7**	24
Capital expenditure charged to Comprehensive Income and Expenditure Statement		
Revenue Expenditure Funded from Capital under Statute	**1,029**	891
Sources of finance		
Capital receipts	**(589)**	(1,429)
Government grants and other contributions	**(1,067)**	(945)
Sums set aside from revenue:		
Direct revenue contributions	**(224)**	(17)
Minimum Revenue Provision (MRP)	**(215)**	(242)
Closing Capital Financing Requirement	**766**	**981**
Explanation of movements in year		
Assets acquired under finance leases	**0**	160
MRP charge to Revenue	**215**	(242)
Increase/(decrease) in Capital Financing Requirement	**(215)**	**(82)**

38. LEASES

Council as Lessee

Finance Leases

The Council leases a number of vehicles and leisure equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment (Vehicles, Plant, Furniture and Equipment) in the Balance Sheet at £750,679 (2016/17: £977,553).

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

	2017/18 £000	2016/17 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	**152**	215
• non –current	**563**	715
Finance costs payable in future years	**68**	97
Minimum lease payments	**783**	**1,027**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Not later than one year	**176**	244	**152**	215
Later than one year and not later than five years	**583**	665	**540**	600
Later Than 5 Years	**24**	118	**23**	114
	783	**1,027**	**715**	**929**

Operating Leases - Vehicles, Plant and Equipment

The Council leases fitness equipment by entering into operating leases, with typical lives of three to five years.

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

	31 March 2018 £000	31 March 2017 £000
Not later than one year	**87**	89
Later than one year and not later than five years	**17**	104
	104	**193**

Lease payments for 2017/18 amounted to £86,974 (2016/17: £94,026).

Operating Leases - Land and Buildings

The Council leases Wisbech and March Fenland @ Your Service shops (on leases ranging from 5 to 15 years with review dates every 5 years). The Council leases nine properties for homeless families.

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

	31 March 2018 £000	31 March 2017 £000
Not later than one year	**62**	106
Later than one year and not later than five years	**24**	85
	86	**191**

Lease payments for 2017/18 amounted to £102,004 (2015/16: £107,580).

Council as Lessor

Operating Leases

The Council leases out land and property under operating leases for the purposes of provision of community (sports facilities) and economic development services.

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

	31 March 2018 £000	31 March 2017 £000
Not later than one year	**103**	101
Later than one year and not later than five years	**77**	192
Later than five years	**441**	456
	621	**749**

39. TERMINATION BENEFITS

The Council terminated the contracts of two employees in 2017/18, resulting from a programme of service staffing reviews, incurring redundancy/compensation costs of £32,000 (£81,351 in 2016/17) – see note 33 of the financial statements for the number of exit packages and total cost per band.

40. DEFINED BENEFIT PENSION SCHEMES

(i) <u>The Local Government Pension Scheme</u>

Participation in pension scheme
As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the following pension scheme:

- The Local Government Pension Scheme for civilian employees, administered by Cambridgeshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-Employment Benefits
We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions are charged across all service headings in the Net Cost of Services in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	
Comprehensive Income and Expenditure Statement	**2017/18 £000**	**2016/17 £000**
Cost of Services:		
• Current service cost	**3,344**	2,065
• Past Service Cost (including curtailments)	**56**	0
Financing and Investment Income and Expenditure		
• Interest income on scheme assets	**(1,906)**	(2,126)
• Interest cost on defined benefit obligation	**3,351**	3,894
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,845**	**3,833**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising;		
• Return on plan assets (excluding the amount included in the net interest expense)	1,265	(10,611)
• Actuarial gains and losses arising on changes in demographic assumptions	**0**	(1,003)
• Actuarial gains and losses arising on changes in financial assumptions	**(2,638)**	18,407
• Other	**8**	(3,921)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**3,480**	**6,705**
Movement in Reserves Statement:		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	**(2,488)**	(1,680)
Actual amount charged against General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**2,357**	**2,153**

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme	
	2017/18	**2016/17**
	£000	**£000**
Present value of funded liabilities	**(129,024)**	(127,238)
Present value of unfunded liabilities	**(1,194)**	(1,234)
Fair value of plan assets	**74,046**	73,423
Net liability arising from defined benefit obligation	**(56,172)**	**(55,049)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme	
	2017/18	**2016/17**
	£000	**£000**
Opening fair value of scheme assets	**73,423**	61,093
Interest income	**1,906**	2,126
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	**(1,265)**	10,611
Contributions from employer	**2,357**	2,153
Contributions from employees into the scheme	**556**	539
Benefits paid	**(2,931)**	(3,099)
Closing fair value of scheme assets	**74,046**	**73,423**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2017/18	**2016/17**
	£000	**£000**
Opening balance at 1 April	**(128,472)**	(111,590)
Current service cost	**(3,344)**	(2,065)
Interest cost	**(3,351)**	(3,894)
Contributions from scheme participants	**(556)**	(539)
Remeasurement gains and (losses):		
• Actuarial gains/losses arising from changes In demographic assumptions	**0**	1,003
• Actuarial gains/losses arising from changes in financial assumptions	**2,638**	(18,407)
• Other	**(8)**	3,921
Past service cost (including curtailments)	**(56)**	0
Benefits paid	**2,931**	3,099
Closing balance at 31 March	**(130,218)**	**(128,472)**

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets							
	2017/18				2016/17			
Asset Category	**Quoted prices in active markets £000**	**Quoted prices not in active markets £000**	**Total £000**	**% of Total Assets**	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of Total Assets
Equity Securities:								
Consumer	**2,020**	**0**	**2,020**	**3%**	1,969	0	1,969	3%
Manufacturing	**1,365**	**0**	**1,365**	**2%**	1,276	0	1,276	2%
Energy and Utilities	**1,551**	**0**	**1,551**	**2%**	1,694	0	1,694	2%
Financial Institutions	**3,375**	**0**	**3,375**	**5%**	2,973	0	2,973	4%
Health and Care	**763**	**0**	**763**	**1%**	779	0	779	1%
Information and Technology	**393**	**0**	**393**	**1%**	324	0	324	0%
Debt Securities:								
UK Government	**0**	**1,830**	**1,830**	**2%**	0	1,977	1,977	3%
Private Equity:								
All	**0**	**6,513**	**6,513**	**9%**	0	6,383	6,383	9%
Investment Funds and Unit Trusts:								
Equities	**0**	**41,950**	**41,950**	**57%**	0	41,285	41,285	56%
Bonds	**0**	**7,217**	**7,217**	**10%**	0	7,740	7,740	10%
Other	**0**	**4,969**	**4,969**	**7%**	0	4,876	4,876	7%
Cash and Cash Equivalents:								
All	**2,025**	**25**	**2,050**	**3%**	2,096	0	2,096	3%
TOTALS	**11,492**	**62,504**	**73,996**	**100%**	**11,111**	**62,261**	**73,372**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund's liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/18	**2016/17**
Longevity at 65 for current pensioners		
Men	**22.4 years**	22.4 years
Women	**24.4 years**	24.4 years
Longevity at 65 for future pensioners		
Men	**24.0 years**	24.0 years
Women	**26.3 years**	26.3 years
Rate of increase in pensions	**2.4%**	2.4%
Rate of increase in salaries	**2.7%**	2.7%
Rate for discounting scheme liabilities	**2.7%**	2.6%

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 estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2016/17.

Change in assumptions at 31 March 2018	Approximate % increase to Employer Liability	Approximate Monetary Amount £000
0.5% decrease in real discount rate	11%	13,783
0.5% increase in the salary increase rate	2%	2,162
0.5% increase in the pension increase rate	9%	11,434

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has arranged a strategy with the scheme's actuary to achieve an appropriate funding level over the period until 31 March 2020.

The latest triennial valuation has been completed as at 31 March 2016.

The scheme has taken into account the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England may not provide benefits in relation to service after 31 March 2014. 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 liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £56.172m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The Council anticipates paying £2.508m contributions to the scheme in 2018/19. The weighted average duration of the defined benefit obligation for scheme members is 19.0 years.

Further information can be found in Cambridgeshire County Council's Pensions Fund Annual Report, which is available from the Chief Finance Officer, Local Government Shared Services, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

41. CONTINGENT LIABILITIES

Material contingent liabilities are not recognised within the accounts as an item of expenditure or income, but are required to be disclosed in a note to the financial statements.

Stock Transfer

As part of the stock transfer agreement completed on 5 November 2007, the Council gave Roddons HA certain warranties in relation to transferring staff, property and environmental pollution. This is to ensure that there are no matters in connection with the land or property transferring that could cause the housing association financial or other loss. The Council has given warranties both to the association and separately to the association's funders. This is standard practice for all stock transfers. The duration of the various warranties in the contract are up to 30 years from completion.

The potential amounts the Council could be liable for under these warranties are unquantifiable. However, the risks associated with the warranties are considered low and therefore are not expected to have a material impact on the Council's accounts.

Pilots' National Pension Fund (PNPF)

The Council has, in February 2018 paid to the PNPF the amount due as a result of the Council triggering a Section 75 (of the Pensions Act 1995) debt whereby the Council ceased to employ any active members of the PNPF. Provision for this payment was made in the 2016/17 accounts. Following payment of this liability, the Council is not required to make any further annual deficit payments to the PNPF and the Council no longer needs to recognise any liability to the PNPF in its Balance Sheet (the deficit was written out of the balance sheet in the 2016/17 accounts).

Although the Council has repaid its' S75 debt liability, it will not be released as a Participating Body under PNPF rules. The PNPF has confirmed, however, that they have no present intention of making any additional contribution demands on the Council under PNPF rules.

The potential amounts the Council could be liable for in the future are unquantifiable and the risks associated with this obligation are considered low and therefore are not expected to have a material impact on the Council's accounts.

THE COLLECTION FUND

Total 2016/17 £000		Note	Council Tax 2017/18 £000	NNDR 2017/18 £000	Total 2017/18 £000
	INCOME				
49,007	Council Tax Receivable	2	50,893	0	**50,893**
27,261	Business Rates Receivable	3	0	25,338	**25,338**
76,268	**Total Income**		**50,893**	**25,338**	**76,231**
	EXPENDITURE				
	Precepts, Demands and Shares:				
12,802	Central Government		0	12,043	**12,043**
18,431	Fenland District Council		8,513	9,635	**18,148**
34,908	Cambridgeshire County Council		33,805	2,168	**35,973**
5,116	Cambs. Police & Crime Commissioner		5,303	0	**5,303**
2,086	Cambridgeshire Fire Authority		1,896	241	**2,137**
73,343			**49,517**	**24,087**	**73,604**
	Apportionment of Previous Year Surplus / (Deficit):				
(300)	Central Government		0	(126)	**(126)**
(83)	Fenland District Council		141	(101)	**40**
583	Cambridgeshire County Council		561	(23)	**538**
101	Cambs. Police & Crime Commissioner		84	0	**84**
30	Cambridgeshire Fire Authority		32	(3)	**29**
331			**818**	**(253)**	**565**
	Charges to Collection Fund:				
128	Cost of Collection Allowance		0	124	**124**
589	Increase in Bad Debts Provision	4	595	408	**1,003**
1,464	Increase/(Reduction) in Provision for Appeals	5	0	(300)	**(300)**
221	Reconciliation Adjustment		0	222	**222**
2,402			**595**	**454**	**1,049**
76,076	**Total Expenditure**		**50,930**	**24,288**	**75,218**
(192)	**(Surplus)/Deficit for the Year**		**37**	**(1,050)**	**(1,013)**
	COLLECTION FUND BALANCE				
(444)	(Surplus)/Deficit b/fwd at 1 April		(1,022)	386	**(636)**
(192)	(Surplus)/Deficit for the year (as above)		37	(1,050)	**(1,013)**
(636)	**(Surplus)/Deficit c/fwd at 31 March**	6	**(985)**	**(664)**	**(1,649)**

NOTES TO THE COLLECTION FUND ACCOUNTS

1. GENERAL

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

2. COUNCIL TAXPAYERS

Council Tax income is derived from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated valuations as at 1 April 1991. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cambridgeshire County Council, Cambridgeshire Police Authority, Cambridgeshire Fire Authority and the Council for the forthcoming year and dividing this figure by the Council Tax base of 28,397 in 2017/18 (2016/17: 27,935). The increase in Council Tax base in 2017/18 is a result of a combination of new builds and changes to the Council Tax Reduction Scheme approved by Council at its meeting on 15 December 2016.

The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent adjusted for discounts etc. This basic amount of tax for a Band D property (average of £1,743.75 for 2017/18 compared to £1,708.98 for 2016/17) is then multiplied by the proportion specified for the particular Band (after adjusting for individual Parish Council precepts) to give an individual amount due.

Council Tax bills were based on the following proportions for Bands A to H:

	Proportion of Band D Charge (ninths)	Equated no of Chargeable Dwellings
Band A	6	7,318
Band B	7	7,342
Band C	8	6,416
Band D	9	3,957
Band E	11	2,359
Band F	13	742
Band G	15	236
Band H	18	27
		28,397

Income received from Council Tax payers in 2017/18 was £50.893m (£49.007m in 2016/17)

3. NATIONAL NON-DOMESTIC RATES (NNDR)

The Council collects NNDR for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme, which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Fenland, the local share is 40%. The remainder is distributed to Central Government (50%), Cambridgeshire County Council (9%) and Cambridgeshire Fire Authority (1%).

The business rates shares payable for 2017/18 were estimated before the start of the financial year as £12.043m to Central Government, £2.168m to Cambridgeshire County Council, £0.241m to Cambridgeshire Fire Authority and £9.635m to Fenland Council. These sums have been paid in 2017/18 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority, identifying the expected level of retained business rates and a top-up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In this respect, Fenland paid a tariff to the government of £5.629m in 2017/18 (£6.390m in 2016/17) which is charged to the General Fund.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates appeals outstanding as at 31 March 2018. As such, authorities are required to make a provision for these amounts. The total provision credited back to the Collection Fund for 2017/18 has been calculated at £0.300m.

The total NNDR income due (including transitional protection) from business ratepayers for 2017/18 was £25.338m (2016/17 £27.261m). The local non-domestic rateable value at 31 March 2018 was £66,741,145 (£65,637,163 at 31 March 2017). The national multipliers for 2017/18 were 46.6p for qualifying Small Businesses and a standard multiplier of 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17). Business Rates were revalued as at 1 April 2017 which resulted in lower multipliers to achieve a 'fiscally neutral' position nationally.

In addition to the tariff payment, a 'levy' payment is due to Central Government on business rate income achieved over the baseline amount. The comparison of business rate income for levy purposes, uses the total income collected from business ratepayers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief and other reliefs (announced in the Autumn Statements 2013 - 2016), not allowed for when the scheme was set. The levy is set at 50% of the growth above the baseline level and for 2017/18, a levy payment of £928,389 (£444,126 in 2016/17) is due to Central Government and this has been charged to the General Fund.

In addition, Fenland is part of the 3 year 'Growth Pilot' scheme agreed between the Treasury and Cambridgeshire and Peterborough Councils (effective 1 April 2015), whereby authorities were able to keep 100% of business rates generated above forecast levels. Due to the impact of the Business Rates revaluation and other reliefs for small businesses, no additional business rates were retained by this Council in 2017/18 (£584,079 retained in 2016/17).

4. PROVISION FOR NON-PAYMENT OF COUNCIL TAX AND NNDR

The Collection Fund account provides for bad debts on arrears on the basis of prior years' experience and current years collection rates.

Council Tax Bad Debts Provision

2016/17 £000		2017/18 £000
989	**Balance at 1 April**	**1,271**
(211)	Write-offs during year for previous years	(85)
493	Increase in provision during year	595
1,271	**Balance at 31 March**	**1,781**

The Council's proportion of this provision at 31 March 2018 is £300,043 (£218,457 at 31 March 2017).

Non- Domestic Rates Bad Debts Provision

2016/17 £000		2017/18 £000
642	**Balance at 1 April**	**726**
(12)	Write-offs during year for previous years	(169)
96	Increase in provision during year	408
726	**Balance at 31 March**	**965**

The Council's proportion of this provision at 31 March 2018 is £385,984 (£290,318 at 31 March 2017).

5. PROVISION FOR APPEALS – NON-DOMESTIC RATES

The Collection Fund account also provides for provision for appeals against rateable values set by the Valuation Office Agency (VOA) which have not been settled as at 31 March 2018.

2016/17 £000		2017/18 £000
3,319	**Balance at 1 April**	**2,603**
(2,180)	Write-offs during year for previous years	(571)
1,464	Increase/(Reduction) in provision during year	(300)
2,603	**Balance at 31 March**	**1,732**

The Council's proportion of this provision at 31 March 2018 is £692,647 (£1,041,260 at 31 March 2017).

6. DEFICIT/ (SURPLUS) ON COLLECTION FUND

Council Tax Collection Fund

The surplus of £984,926 at 31 March 2018 (£1,021,890 surplus at 31 March 2017), which related to Council Tax, will be reimbursed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

This Council’s share of the surplus (£168,144) is reported within the Collection Fund Adjustment Account.

The total Council Tax Collection Fund surplus is therefore shared as follows:

	31 March 2018 £000	31 March 2017 £000
Fenland District Council	**(168)**	(175)
Cambridgeshire County Council	**(673)**	(698)
Cambridgeshire Police & Crime Commissioner	**(106)**	(110)
Cambridgeshire Fire Authority	**(38)**	(39)
Total (Surplus) /Deficit	**(985)**	**(1,022)**

Non-Domestic Rates Collection Fund

The surplus of £663,754 at 31 March 2018 (deficit of £385,693 at 31 March 2017), which related to Business Rates, will be reimbursed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Fire Authority, Central Government and the Council in proportion to their shares of business rates income.

This Council’s share of the surplus (£265,501) is reported within the Collection Fund Adjustment Account.

The total Non-Domestic Rates Collection Fund (surplus)/deficit is therefore shared as follows:

	31 March 2018 £000	31 March 2017 £000
Fenland District Council	**(265)**	154
Cambridgeshire County Council	**(60)**	35
Cambridgeshire Fire Authority	**(7)**	4
Central Government	**(332)**	193
Total (Surplus)/Deficit	**(664)**	**386**

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ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

Fenland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. 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.

In discharging this overall responsibility, Fenland District Council is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk.

Fenland District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.fenland.gov.uk or can be obtained from the Chief Finance Officer. This statement explains how Fenland District Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place at Fenland District Council for the year ended 31 March 2018 and up to the date of approval of the annual performance report and statement of accounts.

3. The governance framework

Fenland District Council has a responsibility for ensuring a sound system of governance to meet statutory requirements requiring public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control and preparing an annual governance statement. This governance statement meets that requirement and sets out brief details of the arrangements that the Council has in place regarding the key systems and processes comprising the Council's governance framework, which incorporates the Local Code of Governance adopted by the Council covering six core principles and the accompanying supporting principles contained within the "CIPFA/SOLACE Framework for delivering good governance in Local Government (2016 Edition)".

Elements of the framework

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

Communicating vision

The Corporate Planning Framework of the Council ensures the delivery of services and projects to improve quality of life for Fenland residents. Partners, through the Fenland Strategic Partnership, meet and establish priorities for delivery to address the statutory duty of promoting the well-being of the district.

The Council, through its Business Plan establishes its objectives by consultation with its key partners and the public as well as with reference to statutory duties, local needs and national priorities. The Business Plan communicates the Council's vision of its purpose and intended outcomes for citizens and service users.

Reviewing the vision

The Council's capacity to deliver its vision is reviewed within service and project plans that support the Business Plan each year. Service quality is measured via customer communication channels and by measurement of performance indicators. Testament to the high quality service the Council provides is the achievement of corporate Customer Service Excellence. CMT and managers, as well as the Council's Policy and Communications Team and Overview and Scrutiny Committee review processes for efficient and effective use of resources.

Translating the vision into objectives

The Business Plan has corporate priorities which are then cascaded down to team priorities. Achievement of corporate priorities is monitored regularly via the performance monitoring framework and monitoring reports to Portfolio Holders, the Overview and Scrutiny Committee and Full Council. Progress against intended outcomes is reported in the Council's Annual Report.

Measuring quality of services for users and value for money

The Council's Business Plan drives the medium term financial strategy and resource allocation. Measures of service delivery against the corporate priorities are determined, which measure factors such as quality and efficiency and effective use of resources. These measures are jointly monitored on a monthly basis through Cabinet/CMT Portfolio Holder briefings and scrutinised by the Overview and Scrutiny Committee and Council. The key performance information of the Council, plus summary financial information, is captured in the Annual Report.

A commitment to continuous improvement is achieved through training, consultation, performance measurement, complaints and comments.

The Council utilises internal and external inspections to inform the performance standards and methods of operation for its key services. Customer Service Excellence accreditation has in particular helped to ensure high standards of customer care and staff development.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers in accordance with prescribed and best practice guidelines from professional bodies and institutions. Examples include:

- Comprehensive budget setting systems.
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts.
- Setting targets to measure financial and other performance.
- A Medium Term Financial Strategy.
- Clearly defined capital expenditure guidelines, authorisation and monitoring.
- Where appropriate, formal project and risk management disciplines.

Defining roles and responsibilities

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution details Member structures and roles, including relationships to Senior Officers. It enables determination of delegated and reserved powers and details those matters reserved for collective decision of the Council. Committee Rules of Procedure enable Committee Members to have access to relevant information and officers to support decision-making. The Overview and Scrutiny Committee has the power of call-in, entitling it to recommend re-consideration of decisions made, but not implemented. The Corporate Governance Committee has responsibility for reviewing governance arrangements.

Developing standards & codes of conduct

The Council has in place the Code of Conduct for Council Members. All Council Members are required to sign a registration of interests within 28 days of their acceptance of office. A standing item of all Council meeting agendas is the item requiring declaration of interests.

The Council has in place a Conduct Committee and a Monitoring Officer to promote and maintain high standards of conduct by members.

There is a staff Code of conduct, Capability and Disciplinary procedure, Anti-fraud and corruption policy, Whistle blowing policy, Values statement and Competency framework. The Human Resource Services of the Council monitor effectiveness of staff codes for conduct.

Reviewing effectiveness of decision making

The Council has a robust and comprehensive performance management framework in place that ensures monitoring on performance, finance and risks in relation to achievement of service and corporate priorities. The process ensures inclusion of Corporate Management Team and Cabinet Members. The Council has a Policy and Communications team to enhance the control environment by ensuring the accurate and timely measurement and management of key performance indicators and data quality in performance information.

The Council identifies its key systems and ensures that robust continuity and risk management arrangements exist, to maintain delivery of key services and financial systems

Reviewing effectiveness of managing risks

The Council has a Risk Management Strategy and Standard that has enabled the monitoring of risk within projects, Service Plans, performance management, financial planning, policy setting and decision making. The Council has a balanced risk appetite that allows new ideas to be explored and encourages innovation. The Risk Management Framework enables risks to be escalated to an appropriate authority in the organisation to be managed. In January 2017 the Corporate Governance Committee had a briefing on the Council’s approach to risk management which proposed some changes including quarterly reporting to the committee, in addition the Risk Management Strategy is reviewed annually by Corporate Governance Committee. The Council have a Risk Management Group who are responsible for highlighting, assessing risks and applying a Red, Amber, Green (RAG) status to risks for consideration by the Corporate Management Team and ultimately by the Corporate Governance Committee.

The Council has a Port Marine Safety Code to manage potential major risks related to Marine Services. It is linked to the Councils Business Continuity Plan and is regularly updated. A Port Management Group is responsible for monitoring and managing safety issues and a Duty Holder and Designated Person is appointed to review the safety management system and associated risks.

Effective counter fraud and corruption

The Council has an Anti-fraud & corruption strategy and policy to ensure effective counter-fraud and anti-corruption arrangements are developed and maintained. Arrangements are evaluated against best practice guidance from professional bodies such as CIPFA Counter Fraud Centre, the National Audit Office and the National Crime Agency. The policy is reviewed for effectiveness annually by the Corporate Governance Committee.

Effective management of change and transformation

The Corporate Management Team is responsible for managing risks from imposed legislative and economic change, and identifying opportunities to improve service delivery.

The Council has developed a number of successful partnerships and shared service arrangements, and continues to seek innovative opportunities to be efficient through Service Transformation, modernising our business processes with the effective use of technology and the Council’s internal Comprehensive Spending Review. The strategic approach to modernisation and transformation is based on maintaining or improving services by reviewing processes and changing the way they are delivered.

Where appropriate these are managed by the Council's performance management framework and corporate risk management framework.

CIPFA Statement on the Role of the Chief Financial Officer in Local Government

Fenland District Council operates arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

CIPFA Statement on the Role of the Head of Internal Audit

Fenland District Council operates arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The Internal Audit Team operates to the standards set out in the CIPFA 'Application note for Local Government' which is based on the IIA 'Public Sector Internal Audit Standards'.

Undertaking core functions of audit committee

The Council has a Corporate Governance Committee that reports annually to Council. Their purpose is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

The Committee meets at least four times a year to deliver its core functions. This includes key duties, set out within the Council's constitution, which enables it to act as the principle non-executive advisor to the Council. The Committee follows best practice established by CIPFA, and demonstrates delivery of its core functions, its effectiveness and independence by reporting annually to Council.

Arrangement to discharge the Monitoring Officer function & Head of Paid Service

The Council's statutory officers are the Head of Paid Service – the Chief Executive, the Corporate Director & Chief Finance Officer and the Corporate Director & Monitoring Officer. They are responsible for ensuring that the Council operates within the law and in accordance with established policy and procedure.

Compliance with relevant laws and regulations, policies and procedures

The Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. The Chief Finance Officer is specifically responsible for the proper discharge of the Council's financial arrangements and must advise Members where any proposal is unlawful, or where expenditure is likely to exceed resources.

The Corporate Management Team has responsibility for ensuring that legislation is implemented and complied with within service areas. Assurance that this is achieved is obtained from Internal Audit reviews, the work of the Council's Legal Service provision, external inspector's reports, review of complaints and ombudsman's reports and self-assessments completed by the Corporate Directors of the Council.

The Council have a comprehensive project plan with a dedicated team to successful achieve compliance with General Data Protection Regulation (GDPR). We also successfully published the BrownField Register by the required deadline 31 December 2017.

Whistleblowing & customer complaints

The Council maintains and promotes a corporate whistleblowing policy that is regularly reviewed against best practice such as British Standards Institution PAS (Publically

Available Specification 1998:2008 Whistle Blowing Arrangements – Code of Practice) and guidance from Public Concern at Work.

The Council operates a '3Cs' process which monitors the number of Compliments, Correspondence and Complaints received and the time it taken to respond. Monitoring this information helps identify trends and enables the Council to provide an efficient service by adapting our service to the customer's needs.

Member and senior officer strategic training needs

The development of member and officers skills in relation to their roles is monitored and ensured via training and awareness sessions throughout the year identified from induction and through the staff annual appraisal system, which is linked to Corporate and Service Planning.

The Council promotes and provides regular training in respect of its Financial Regulations and Code of Procurement to aid financial control and effective expenditure.

The Council is committed to continued development of its employees and training and development forms an intrinsic aspect of the annual appraisal process.

Consulting with community & stakeholders

The Council completes both statutory and non-statutory consultation. It ensures that there are channels for communication, consultation and feedback, with all sections of the community and stakeholders. Additionally they can feedback on the Council's decisions and performance, in line with Customer Service Excellence standards which are regularly assessed.

The Council uses these channels, such as the website, community hubs, to consult on activities relevant to the community including planning, licensing, policy development. A revised and updated Corporate Consultation Strategy was considered by the Overview and Scrutiny Committee following which amendments were made prior to agreement by Cabinet.

Enhancing accountability and effectiveness of other providers

The Council works in partnership with other public sector bodies to share experience and bring local perspective to cross cutting work in Cambridgeshire. This helps to enhance the accountability for service delivery and effectiveness of other public service providers.

Good governance in partnership working

The Council has developed a number of successful partnerships and shared service arrangements. Examples include efficient delivery of services through the Anglia Revenues Partnership, Home Improvement Agency, CNC Building Control, shared planning and development with Peterborough, Bedford Borough Council Payroll Service; and effective use of assets by sharing accommodation with other Public Sector Organisations through Community Hubs and Fenland Hall, a Shared Audit Manager with Kings Lynn and West Norfolk District Council as well as a current pilot with Peterborough City Council and Kingdom in relation to enforcement.

The Governance Framework extends into the Council's relationships with its key partners and provides assurance as to the performance and achievement of shared objectives and intended outcomes. Performance is published in the Council's annual report, Overview and Scrutiny reports and Full Council reports.

4. Review of effectiveness

Fenland District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team and Management within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. The following actions and processes have been applied in maintaining and reviewing the effectiveness of the system of internal control over the last twelve months:

Council

The Council has agreed a number of policies and corporate documents that help deliver its vision and priorities in 17/18:

- Consideration of the Rate Relief Policy Amendment to enable the Council to take advantage of the Central Government discretionary fund to support businesses which faced the largest proposed rate rise due to re-evaluation
- Council considered the Fenland Health and Wellbeing Strategy 2018 – 2021 and the implementation of the East Cambs and Fenland Living Well Partnership. The Strategy is vitally important as it identifies the Council's important role in influencing the wider determinants of health, including an associated delivery plan which clearly outlines how our services support health outcomes.
- The Medium Term Financial Strategy has been reviewed and updated and is embedded in the business planning process. Additionally, the Council has approved treasury and investment strategies, the General Fund budget and Council Tax levels as well as the Treasury Management Annual Report.
- The Council Tax Support Scheme was reviewed and approved following public consultation and review by Overview and Scrutiny.
- Council received and approved annual reports from Overview and Scrutiny and Corporate Governance Committee in line with their terms of reference outlining achievements from the previous year.
- Council approved the consultation submission in relation to the Parliamentary Constituency review undertaken by the Boundary Commission for England.

The Council has maintained its capacity and capability to be effective through ongoing reviews of governance arrangements:

- The membership of Committees and panels and outside bodies, and positions of Chairman and Vice Chairman, was approved for the municipal year in accordance with political proportionality rules. Council also approved membership of positions on the Combined Authority to ensure effective representation on this body.

Cabinet and Corporate Management Team

Ongoing delivery of the Comprehensive Spending Review throughout 2017/18 has placed the Council in a healthy financial position. Effective financial control resulted in the Council responding to budgetary changes, and achieved an under-spend in the revised General Fund budget. Cabinet considered the provisional outturn position for 17/18 on 14 May 2018. This stated that the Council's provisional General Fund services net under-

spend is £935,000 for the financial year 2017/18. Cabinet agreed to transfer £600,000 to the Capital Contribution Reserve and £335,000 to the Management of Change Reserve The Comprehensive Spending Review initiative was fundamentally important in the development of the Efficiency Plan which was successfully submitted to the Department for Communities and Local Government (DCLG) in October 2016. DCLG have subsequently confirmed that the Council is now on multi year settlement, which provides some certainty regarding financial planning until 2019/20.
The Council has benefited from the growth in business rates and through sharing services with a number of partners including Anglia Revenues Partnership. Significant planned efficiencies have been delivered, plus continuous improvement is being considered through Service Transformation and the Comprehensive Spending Review.

The Corporate Management Team has ensured a robust and resilient budget for the following year. Within the year the Portfolio Holder for Finance, and the Cabinet, have received regular budget monitoring reports showing the Council's financial performance.

The Cabinet and Corporate Management Team have ensured maintenance of acceptable standards in financial reporting, standing and control as reported upon by the Council's external auditors.

Appropriate arrangements are in place for delivering member training. The staff and councillor induction process continues to encompass statutory obligations and identification of further induction training specific to individual services and roles.

The Corporate Management Team has ensured data management and security standards, and has committed to sharing data lawfully with other public sector bodies to improve outcomes for Fenland's residents through the Cambridgeshire and Peterborough Information Sharing Framework. Extensive work has been undertaken to evidence the organisations compliance with General Data Protection Regulation.

A number of key decisions were made that both communicated and reviewed the Council's vision and translated these into priorities for the Council and its Partnerships. This demonstrated a commitment to good governance, and included approving and reviewing policies and reports:

- Business Plan 2017-18;
- Annual report;
- Council Tax Support Scheme;
- Fees and charges 2017-18;
- Leisure Strategy
- Fenland Enterprise Zones Proposed
- Wisbech Garden Town Proposal
- The introduction of Public Space Protection Orders following extensive consultation.
- The Refreshed Wisbech 2020 Vision Strategy
- The Consultation Strategy
- Capital Programme Update
- Private Rented Sector Housing Member Task and Finish group Findings
- Open Spaces Boat Mooring Management Scheme

Corporate Governance

The Corporate Governance Committee has completed a work plan that helps monitor effective governance throughout. The Committee:

- Approved and monitored the actions for improvement as required in the previous Annual Governance Statement.
- Approved and monitored the Risk Management framework and corporate risk register and recommended changes to how this is reported to Corporate Governance Committee.
- Monitored performance of Internal Audit and approved the risk based internal audit plan and Charter including requesting quarterly update reports in relation to audit.
- Noted the reports of External Audit, such as the Annual Governance Report, Annual Audit Letter, Annual Certification report, in addition to the Internal Audit Service External Quality assessment plus the external audit plan.
- Noted the Regulations of Investigatory Powers Act (RIPA) – Update Report.
- Approved the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and the Annual Investment Strategy.
- Approved the Statement of Accounts 2016/17.
- Oversaw the maintenance of standards in financial reporting, standing and internal control.
- Endorsed a revised approach to preparation, approval and publication of the Statement of Accounts, in response to the Accounts and Audit regulations 2015, which will apply to the 2017/18 accounts.

Standards, conduct and ethical behaviour

The Council has a Monitoring Officer, and a Conduct Committee, to promote and maintain high standards of conduct by members. The Committee and the Monitoring Officer have:

- Dealt with informal and formal complaints against Councillors as per the Council approved conduct process.
- Ensured compliance with requirements for declarations of interest.
- Provided advice on conduct matters.
- Maintained a framework for identifying and implementing new legislative requirements upon the Council.
- Supported Members to make updates to the Constitution.

Overview and Scrutiny

The Overview and Scrutiny Panel have:-

- Completed reviews of Council activity, in order to ensure effective and efficient service delivery and policy design, such as the Local Council Tax Support Scheme, Draft Business Plan, Medium Term Financial Strategy and Fees & Charges, the revised Health and Wellbeing Strategy, the revised Consultation Strategy.
- Regularly reviewed the progress in delivering performance objectives of the Corporate Plan.

- Scrutinised external partners including Fenland Community Safety Partnership, the Police, Clarion Housing Association in addition to the Anglia Revenues Partnership.

Staff Committee

The Council has considered organisational policies and management through the Staff Committee including:

- Proposed service reviews to ensure minimum impact on front line services and priorities, whilst delivering required savings.
- Considered an increase in Planning Services resources
- Health & Safety performance, which noted a continued low volume of accidents reported.

Internal control

The Corporate Director & Chief Finance Officer has:

- Ensured provision of timely, accurate and impartial financial advice and information to assist in decision making.
- Maintained and reported to Council the Treasury Management Strategy and legislative changes.
- Ensured arrangements are maintained for keeping under review appropriate management accounting systems, functions and controls.
- Reviewed, in conjunction with line management, the effectiveness of Internal Audit against the standards set out in the CIPFA 'Application note for Local Government' which is based on the IIA 'Public Sector Internal Audit Standards'.
- Managed the impact of localisation of business rates and council tax benefit.
- Reported the Medium Term Financial Strategy, Revenue Budget and Capital Programme.
- Prepared and reported the Statement of Accounts 2016/17.
- Provided an overview of legislative changes and prepared for the revised accounting timetable of the Accounts and Audit Regulations 2015.

Internal Audit has:

- Performed reviews of key services and financial procedures of the Council and reported to the Corporate Governance Committee, advising as to the level of assurance that can be applied to the Council's control framework.
- Investigated allegations or suggestions of fraud or corruption and suggested revisions to improve systems for prevention and detection of such activity.
- Provided risk management and business continuity training to staff.
- Promoted good standards of information governance, and supported the Countywide Information Sharing Framework.

The opinion on internal control from Internal Audit will be reported to the Corporate Governance Committee on 19th June 2018 in the Internal Audit outturn report each year. The opinion for 2017/18 is expected to report that that there is "adequate assurance as to the adequacy and effectiveness of internal controls in mitigating risks to the Council's objectives". The report is likely to include assurance that Management have adopted plans for improvement in control where necessary and within appropriate timescales that will be followed-up to ensure further improvement is delivered.

Reviews by external inspectors:

The externally appointed auditors, Ernst & Young, issued a governance report as at September 2017 which provided an unqualified opinion on the 2016/17 statement of accounts. The report praised the management and staff of the Council, and reflected positively on the co-operation, quality of working papers and timeliness of provision of information.

This positive assurance was followed up by the Annual Audit letter which states an unqualified opinion that the Council made proper arrangement to secure economy, efficiency and effectiveness in its use of resources.

The Council continues to demonstrate compliance against the Customer Service Excellence standard, the UK Government's national standard for excellence in customer service. The standard demonstrates our culture and behaviours, and that we engage with customers and partners, and deliver effective use of resources.

The Investigatory Powers Commissioner's Office (IPCO) undertook an inspection of the councils Regulation In Investigatory Powers Act (RIPA) policy and procedures. This takes place every three years. The IPCO were satisfied with procedures undertaken by the Council in respect of RIPA and recommended some minor adjustments to the RIPA policy.

Internal Audit was subject to an external quality assessment. The external assessment was a validation of Fenland District Council’s self-assessment of conformance to the Public Sector Internal Audit Standards (PSIAS) and was completed by an assessor from CIPFA. The assessment was a positive experience and the assessor confirmed that the Internal Audit service generally conforms to the requirements of the PSIAS, the highest rating that could have been achieved.

5. Governance issues and action plan

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

	Issue raised	Summary of action
1	Although in a healthy financial position, the Council still faces continuing financial challenges over the medium term, resulting from changes to central government funding. The Medium Term Financial Plan presented to Council in February 2018 highlighted the need for further savings of £668,000 up to 2022/23 Central government is also undertaking a Fairer Funding Review which will result in changes to Local Government Funding.	The Chief Finance Officer, with the Chief Executive will review the impact of change upon the Council in conjunction with the Leader, the Finance Portfolio Holder, and Cabinet. The Corporate Management Team has put in place heightened monitoring and response arrangements to provide the Cabinet with information regarding the impact of Central Government funding changes. The Council's CSR process has placed the Council in a good position financially however, we will continue to look for more ways to become efficient and effective through looking at different service delivery models. The Corporate Management Team will monitor the available funding, balances and reserves, using robust financial controls to respond to any financial changes and identify joint opportunities for efficiency. The Corporate Management Team will monitor governance arrangements, and communicate shared risks, opportunities and assurance. The Corporate Management Team will respond to any consultations from Central Government on future funding.

	Issue raised	Summary of action
2	The Accounts and Audit regulations 2015 replace existing legislation and apply from the financial year beginning April 2015. A key element of the regulations is that the accounts preparation timetable is reduced from 2017/18. Accounts will need to be completed and approved a month earlier, draft accounts published by 31 May and Audited Accounts approved by 31 July. Consequently both Councils and audit firms will need to change their processes and business models accordingly. The change has the potential to reduce the burden of the closure process and enable more resources to be focussed on in-year financial management. However resources will need to be committed to redesigning established processes to achieve this.	Delivering this stretching target has helped us to identify potential obstacles, and seek opportunities to develop improved processes. Officers have worked with the appointed external auditors, to agree on planned approaches and to build capacity into work planning for any new working methods. This has enabled the Council to meet the new challenging timescales for 2017/18 Accounts. Officers will continue to work with peers, professional networks and the external auditors to further refine the closedown process for future years in the light of experience gained this year.
3	The Council must be prepared to address any impacts that may arise as a result of changes in regulation, legislative powers and national policy. Examples that could affect governance arrangements with the 2018/19 financial year include: • The Accounts and Audit regulations 2015 which updates requirements for publishing financial statements. • Reforms to the New Homes Bonus and Business Rates and the Fairer Funding Review. • The Cambridgeshire and Peterborough Devolution agreement • Central Government policy on encouraging more starter homes as an affordable housing option • The UK's negotiations and exit from the EU following the referendum on the 23rd June 2016. • The General Data Protection Regulations 2017 and UK Data Protection Bill • Changes resulted from an updated National Planning Policy Framework	The Corporate Management Team will respond to changes and will continue, using heightened monitoring and response arrangements, to provide the Cabinet with information regarding the impact of Central Government Policy changes including responding to government consultations. Plans will be put in place to implement any new legislation.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ……………………………………………………………

Brendan Arnold
Corporate Director and Chief Finance Officer

Signed: ……………………………………………………………

Paul Medd
Chief Executive

Signed: ……………………………………………………………

Councillor Chris Seaton
Leader, Fenland District Council

GLOSSARY OF TERMS

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

ACCOUNTING POLICIES
Define the process whereby transactions and other events are reflected in financial statements.

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

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

BAD DEBT
Debts whose repayment is known to be impossible or unlikely.

BUDGET
A statement defining the Council's policies over a specified period of time in terms of finance.

BILLING AUTHORITY
A local authority responsible for collecting the Council Tax and non-domestic rates i.e. District Councils, Metropolitan Districts, London Boroughs, the City of London and Unitary Councils.

CAPITAL CHARGES
Charges made to service revenue accounts based on the value of the assets they use and comprises depreciation over the useful life of the asset.

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

CAPITAL FINANCING COSTS
The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

CAPITAL RECEIPTS
The proceeds from the disposal of land or other assets.

COLLECTION FUND
Accounts required to be kept by the Council to record all income collected from local taxpayers, showing how this is passed on to other local authorities and Government organisations.

COMMUNITY ASSETS
Assets that the Council intends to hold in perpetuity, that have no determinable useful life

and that may have restrictions on their disposal. Examples are parks and historic buildings.

CONTINGENT LIABILITIES
Potential liabilities which are either dependant on a future event or cannot be readily estimated.

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

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

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

DEBT MANAGEMENT OFFICE
An Executive Agency of Her Majesty's Treasury responsible for debt and cash management for the UK Government including lending to local authorities.

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

DEPRECIATION
A notional charge representing the extent to which an asset has been worn out or used up during the year.

DERECOGNITION
The term used for the removal of an asset or liability from the Balance Sheet.

EFFECTIVE RATE OF INTEREST
The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the Balance Sheet at initial measurement.

FAIR VALUE
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.

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

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

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

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

GENERAL FUND
The main revenue fund of the Council. Day to day spending on services is met from the fund.

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

GOVERNMENT GRANTS
Payments by central Government towards Council expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

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

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)
A reference to the accounting treatments that companies globally would generally be expected to apply in the preparation of their financial statements.

MINIMUM REVENUE PROVISION
The minimum amount which must be charged to the Council's revenue account each year and set aside for debt repayment as required by the Local Government and Housing Act 1989.

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

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

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

PRECEPT
The levy made on a billing authority by a Precepting Authority, requiring collection of income from Council's Taxpayers on their behalf.

PRECEPTING AUTHORITIES
Those authorities which are not Billing Authorities i.e. do not collect Council Tax and non-domestic rate. County Council are "major precepting authorities" and parish, community and Town Councils are "local precepting authorities".

PROVISIONS AND RESERVES
Amounts set aside in one year to cover expenditure in the future. Provisions are for

liabilities or losses which are likely or certain to be incurred but the amounts or the dates on which they arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or “balances”) which every authority must maintain as a matter of prudence.

PUBLIC WORKS LOAN BOARD
A central Government agency which provides long and short term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.

REVENUE EXPENDITURE
Spending on day to day items including employees’ pay, premises costs and supplies and services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE
Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year’s Council Tax.

REVENUE SUPPORT GRANT
A grant paid by central Government in aid of Council’s services.

THE CODE
The Code of Practice on Local Authority Accounting in the United Kingdom. This specifies the principals and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of a local authority.

ABBREVIATIONS USED IN THE ACCOUNTS

ARP	Anglia Revenue Partnerships
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CSE	Customer Service Excellence
DWP	Department for Work and Pensions
FDC-CSR	Fenland District Council Comprehensive Spending Review
HMOs	Houses in Multiple Occupation
IFRS	International Financial Reporting Standard
IiP	Investors in People
IMD	Index of Multiple Deprivation
LEP	Local Enterprise Partnership
MRP	Minimum Revenue Provision
MTFF	Medium Term Financial Forecast
NNDR	National Non-domestic Rates
PNPF	Pilots’ National Pension Fund
PWLB	Public Works Loan Board
LGA	Local Government Association
LGPS	Local Government Pension Scheme
IAS	International Accounting Standards

Fenland District Council

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Please ask us if you would like any of our documents in community languages, in large print, in Moon, in Braille, in audio cassette or in electronic format.