


Agenda Item No:	9	
Committee:	Corporate Governance Committee	
Date:	18 June 2019	
Report Title:	Statement of Accounts 2018/19	

Cover sheet:

1 Purpose / Summary

The purpose of this report is for members to review and note the draft Statement of Accounts for 2018/19.

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 2019. This requirement has been met with the accounts signed off on 31 May 2019 and published on our website.
- The Accounts are presented in draft subject to External Audit.
- The Statement of Accounts requires approval by this Committee by 31 July 2019, following receipt of the external auditors report. Accordingly, a meeting has been scheduled on 29 July 2019.

3 Recommendations

- It is recommended that the contents of the draft Statement of Accounts for the financial year ended 31 March 2019 be noted.

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Cllr Chris Boden, Leader & Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Closure of accounts working papers 2018/19

Report:

1 BACKGROUND

- 1.1 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.
- 1.2 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These require the 2018/19 Statement of Accounts to be approved by the Corporate Director and Chief Finance Officer by 31 May 2019. This requirement has been met.
- 1.3 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.
- 1.4 This Committee will still be required to formally approve the final Statement of Accounts by 31 July 2019, following receipt of the external auditors report on the accounts.
- 1.5 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.

2 STATEMENT OF ACCOUNTS AND AUDIT ARRANGEMENTS

- 2.1 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.
- 2.2 The 2018/19 audit of accounts will be undertaken by Ernst & Young (EY) and has already commenced. 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 29 July 2019.
- 2.3 The accounts are available for a statutory period of public inspection of 30 working days, which started on 3 June 2019. 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 2019, during the inspection period.
- 2.4 It is anticipated that the audit of the accounts will be concluded in mid-late July. At the meeting of this Committee scheduled for 29 July 2019, 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 2018/19.
- 2.5 The draft accounts were formally approved for issue by the Council's Corporate Director and Chief Finance Officer on 31 May 2019. 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.

STATEMENT OF ACCOUNTS

2018/19

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 2019. 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

There are 41 notes to the Core Financial Statements and these provide additional information regarding the Council's financial activities during 2018/19. 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.

Statement of Accounts 2018-2019

Subject to External Audit



FENLAND DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2018/19

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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 303 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) 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 2018/19. Since 2010, we have saved over £9m and must deliver an additional £1.015m of savings by 2024. This has led to difficult decisions, including the introduction of our Garden Waste subscription service and transferring

responsibility for the management of our leisure centres to Freedom Leisure with effect from December 2018.

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. Work has continued in this financial year to take forward projects approved by the CPCA which include developing proposals for a 'Garden Town' in Wisbech, producing Market Town Masterplans for the four market towns in the District and developing plans to enhance railway connectivity and infrastructure in the District.

4. GOVERNANCE

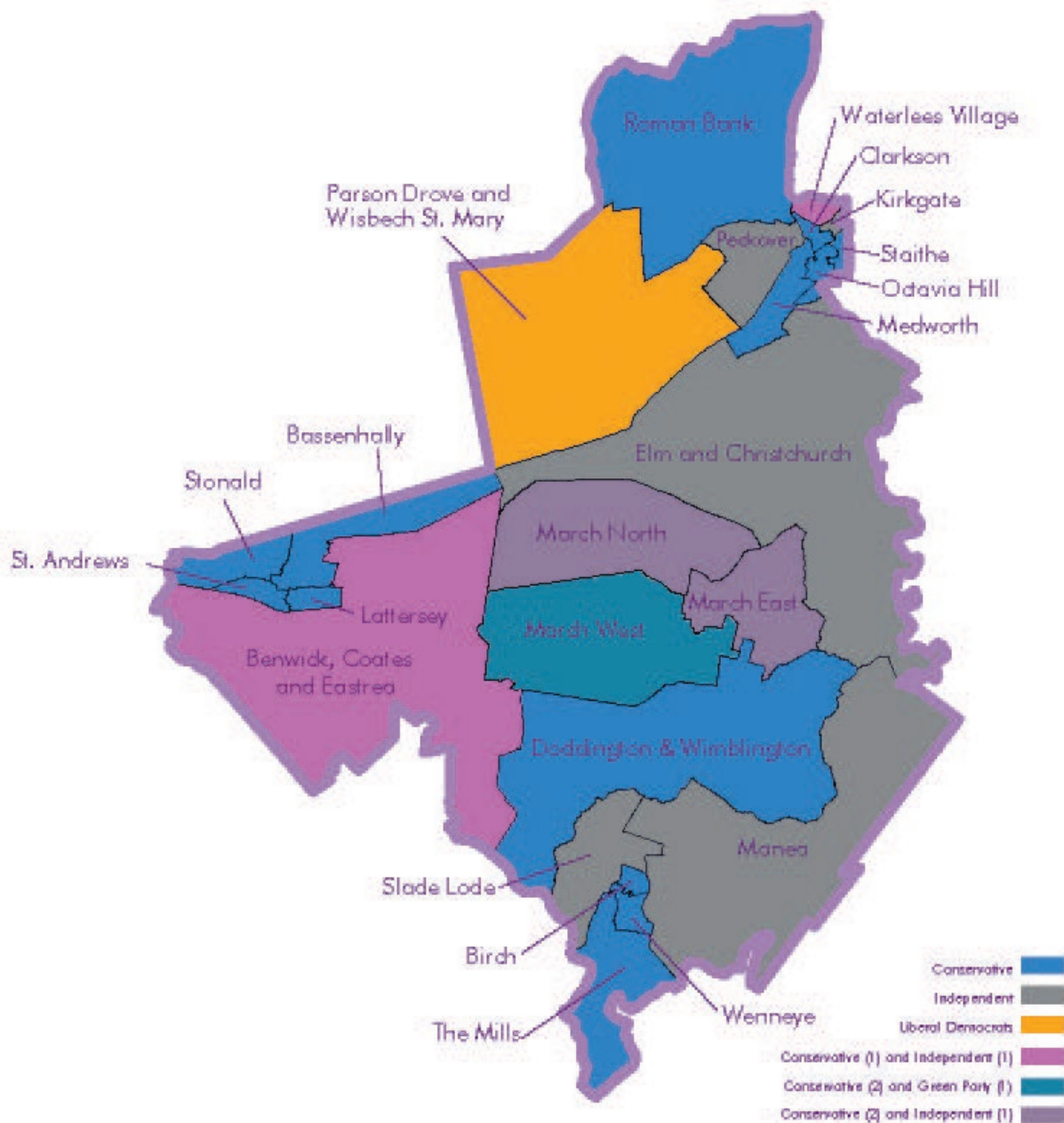
Fenland District Council is made up of 39 Councillors, representing 24 wards.

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 (10 with effect from May 2019), each with specific responsibilities.

As at 31 March 2019, the Conservative group held the majority with 34 seats. The remaining 5 seats were made up of 2 Truly Independent Councillors, 2 Liberal Democrat Councillors and 1 Independent Councillor.

Following 'all-out' district elections in May 2019, the Conservative group continued to hold the majority with 26 seats. The Independents held 10 seats with 2 Liberal Democrats and 1 Green Party 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 2018-19 are summarised in the table below.

Summary of Corporate Priorities 2018/19:

Quality Organisation	Communities	<ul style="list-style-type: none"> • Support vulnerable members of our community • Promote health and wellbeing for all • Work with partners to promote Fenland through culture and heritage
	Environment	<ul style="list-style-type: none"> • Deliver a high performing refuse, recycling and street cleansing service • Work with partners and the community on projects that improve the environment and our street scene • Work with partners to keep people safe in their neighbourhoods by reducing crime and anti-social behaviour and promoting social cohesion
	Economy	<ul style="list-style-type: none"> • Attract new businesses, jobs and opportunities whilst supporting our existing businesses in Fenland • Promote and enable housing growth, economic growth and regeneration across Fenland • Promote and lobby for infrastructure improvements across the District

Communities	<ul style="list-style-type: none"> • Over the last year, we investigated 152 complaints from tenants in private rented accommodation and 216 from HMO tenants (Houses of Multiple Occupation), which resulted in serious health and safety failings being put right. Supported by £196,000 from the Government's 'Controlling Migration' fund, we have been able to build upon our existing enforcement work. By undertaking street-by-street inspections in Wisbech, we have gathered valuable property intelligence and uncovered hidden issues. In just one year, officers inspected 1,746 properties and made 719 interventions. • Supported by new housing legislation, we prevented 315 households from becoming homeless; a 174% increase since 2017/18. Our Migrant Outreach Worker (also financed from Government's 'Controlling Migration' fund) is working with over 30 clients in Wisbech to find a route away from sleeping rough. Successful work continues through the Cambridgeshire and Peterborough 'Trailblazer' project to pilot early approaches to homelessness prevention. Through £900,000 of Government funding, the project has received over 1,130 referrals since inception (August 2017). 463 of these were from Fenland; the highest rate in Cambridgeshire. Our Housing Options team continue to give valuable advice, with nearly 1,800 households asking for advice in 2018/19. • Financed through the 'Better Care Scheme', we adapted 145 homes to help elderly and disabled people remain safe, secure and protected at home. 97% of people asked were satisfied with the works and said it has made their life easier 1 year on. • 310 people attended our Golden Age events. Designed for the over 60's,
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	<p>attendees can get advice from a variety of partner organisations as well as enjoying tea and cake. Most recently in Chatteris (February), attendees received advice about fire safety, avoiding scams, calling 999, getting help in a power cut and joining voluntary groups. Of those asked, 100% (66 people) were satisfied with events.</p> <ul style="list-style-type: none"> • We held the 12th annual Pride in Fenland awards to honour the district's unsung heroes. Organised in partnership with the Fenland Citizen newspaper, over 200 people attended a celebration evening in Wisbech St Mary to recognise the work of selfless volunteers. Winners and runners-up were chosen in six categories including good neighbour, young citizen and sports volunteer in the community
Economy	<ul style="list-style-type: none"> • Our Business Premises continue to provide popular 'start up' and conference sites, with 92% occupancy. 100% of customers surveyed were happy with our facilities. Later this year, the Boathouse will also become the new location for our Wisbech One Stop Shop. • Our Wisbech Yacht Harbour remains busy. Our full-time berths are fully occupied and we are exceeding targets for boatlift operations. Alongside Lincolnshire County Council and Kings Lynn Borough Council, we are developing a marketing plan for the leisure ports in the wider Wash area. A bid has also been placed with the Government Coastal and Communities fund to finance extra infrastructure and operational costs. • We continue to work with skills services and local education providers to support young people to get ready for work. As well as welcoming students for work experience, we created nine new apprentice roles across a variety of teams. The CPCA are also in the process of developing a Skills Strategy. Once complete, it will give valuable intelligence on where skills are needed to address current issues and deliver future growth. • Work continues on developing our four Market Town Masterplans (aka 'Growing Fenland'). Funded by the CPCA (£50,000 per town), public engagement sessions have sought the opinions of residents, businesses and visitors about how we can make our towns vibrant and thriving places. Town teams are working closely with Metro Dynamics, the appointed consultants, to conduct further consultation and develop the final reports. • Work continues on investigating the feasibility of a Wisbech Garden Town which could bring 12,000 new homes, improved infrastructure and better facilities to the area. Royal Haskoning Peterborough are undertaking detailed flood modelling work based on successful Dutch projects. In addition, Cambridgeshire County Council is progressing work on the A47 capacity alongside the CPCA, who are also looking at the feasibility of a Wisbech to March rail link. • Our Planning team processed 759 applications from across the district. We also investigated and closed nearly 296 cases of unauthorised development. In August, we invited an independent 'Peer Challenge Review' to take place. Organised by the Local Government Association (LGA) and the Planning Advisory Service (PAS), senior officers and a Councillor from other UK authorities assessed our planning service to give

	<p>feedback on our strengths and areas for improvement. Their valuable advice helped inform our future actions and to build upon initiatives already planned.</p> <ul style="list-style-type: none"> • Following public consultation, and supported by Cross Country, the Hereward CRP (Community Rail Partnership) unveiled their new logo and branding in February. As part of this, members spoke to around 500 people at local railway stations to explain the work they do to improve and promote the local Hereward railway line. In addition, two fully-booked Transport and Access focus groups were held to understand local issues and requirements relating to railways, local highways, buses, walking and cycling. • Supported by CPCA funding, work continues to improve transport connectivity in Fenland and beyond. This has included several major projects being taken forward by both the County Council and the District Council.
<p>Quality Organisation</p>	<ul style="list-style-type: none"> • A record number of people are choosing to access our services online through www.fenland.gov.uk. We received 607,000 visits in 2018/19 and over 10,000 online form submissions (excluding Garden Waste subscriptions). Positively, we also scored very well and above average in Socitm’s Accessibility testing (January 2019). This shows that our website performs well and can be used by everyone. • Our Social Media following continues to grow, with 8,300 Twitter followers and 2,200 Facebook ‘likes’ (+3% and +34% on last year). We use these channels to advertise council services, local events and partner organisations. During September, we took part in a joint emergency planning social media promotion with the Cambridgeshire and Peterborough Communications group. Daily tweets under #30days30ways gave residents and partners useful advice on how to prepare for an emergency. • Due to a massive reduction in footfall (-81% in 15 years) and expiry of the lease, we relocated our March One Stop Shop from Broad Street to our offices in County Road. Similarly, we plan to move our Wisbech shop from Bridge Street to the Boathouse Business Centre later this year. This will save taxpayers around £130,000 a year without compromising on the quality of service. • We undertook our Staff Survey, which showed that 83% of staff are proud to work for us – an increase of 3% since 2016. Undertaken every two years, the survey gathers valuable feedback about how staff feel about working for us and where we can improve. We also continue to provide a comprehensive learning and development programme, which offers a variety of training that supports staff to work confidently within their roles. • Wisbech welcomed Royal visitors in November. The Prince of Wales and Duchess of Cornwall made a day trip to find out about the town and the great work that local people do for the community. The Prince of Wales visited St Peter and St Paul Church to meet with local dignitaries, volunteer bell ringers and around 20 organisations, charities and volunteer groups.

	The Duchess of Cornwall, Patron of The National Literacy Trust, visited the Wisbech and Fenland Museum to find out how local organisations are supporting families and primary schools to improve children’s literacy skills.
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6. FINANCIAL PERFORMANCE

The 2018/19 Revenue Budget Process

The Revenue Budget for 2018/19 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 £0.218m. This compared to £0.601m included within the 2017/18 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 in recent years, including 2018/19. However, the government is currently reviewing the current system for allocating money generated from business rates to local authorities. The proposed reforms will potentially impact on the funding available to the Council from business rates from 2020/21 onwards.

Council approved a net revenue budget for 2018/19 of £12.729m at its meeting on 22 February 2018. 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 2018/19- 2020/21.

Council Tax

Council policy for 2018/19 was to increase Council Tax by 1.97%, to stay within the Government’s referendum limit of 3%. The Cambridgeshire Police and Crime Commissioner increased their element of Council Tax by 6.41% and the Fire Authority increased theirs by 2.96%. Cambridgeshire County Council increased their Council Tax by 4.99%. The average increase in Parish Councils was 5.86% for 2018/19.

The calculation of the 2018/19 Tax-Base, resulted in an increase of 582 Band D equivalent properties (as shown in the table below). This produced a net increase in

Council Tax income of £152,000 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 2016/17 to 2018/19 is shown below:

Band D Council Tax by authority	2016/17 £	2017/18 £	2018/19 £
Fenland District Council	250.47	255.42	260.46
Cambs. County Council	1,167.12	1,190.43	1,249.83
Cambs. Police & Crime Commissioner	183.15	186.75	198.72
Cambs. Fire Authority	65.52	66.78	68.76
	1,666.26	1,699.38	1,777.77
Parish Councils (Average)	42.72	44.37	46.97
Total average Band D Council Tax	1,708.98	1,743.75	1,824.74
Total average increase	37.74 (2.26%)	34.77 (2.03%)	80.99 (4.6%)
Council Tax Base			
Number of Band D equivalent dwellings	27,935	28,397	28,979

Revenue Spending

For 2018/19, the Council agreed an original budget of net spending on services of £12.729m. 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 2018/19 was set at £260.46 for Band D properties. The precept on the Collection Fund (£7.548m) is the amount due to the Council net of Parish Precepts (£1.361m). 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	12,729	13,080	12,997	268
Contribution to/(from) Reserves	(73)	0	200	273
Total	12,656	13,080	13,197	541
Financed by:				
Business Rates Funding	4,554	5,081	5,095	(541)
Revenue Support Grant	444	444	444	0
CT Collection Fund Surplus	110	110	110	0

Precept on Collection Fund	7,548	7,548	7,548	0
Total	12,656	13,183	13,197	(541)
Net Surplus	0	(103)	0	0
General Fund Balance	2,422		2,622	0
	31 March 2018		31 March 2019	

The Council under-spent by £0.200m (prior to additional appropriations to reserves) on the original budget due principally to the following reasons:

	£000
• Net impact of Housing Benefit subsidy claim and ARP contributions	23
• Net additional bad debts provision	116
• Additional dry recycling costs	37
• Provision for potential remediation costs	100
• Net impact of Business Rates retention system	41
Off-set by	
• Lower employee costs	(33)
• Contingency for Economic Development not required	(43)
• Lower costs associated with Leisure Contract	(43)
• Lower supplies, & services costs	(87)
• Additional income from fees and charges	(105)
• Higher income from VAT/RTB arrangement	(166)
• Additional government grants and investment income	(44)
• Other variances	4
Net under-spend	(200)
• Transfer to General Fund Balance	200
	<u>0</u>

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 2018/19 the Council spent £2.968m 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 £3.145m and revised budget of £3.743m.

The main items of capital expenditure in the year were grant aid support to private sector home owners and support for community development (£0.89m), investment in vehicles (£0.438m), investments in infrastructure and boats at the Port of Wisbech and the Port of Sutton Bridge (£0.229m) and investments in parks and play equipment (£0.331m).

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

Capital receipts of £0.131m (net of costs) were realised in 2018/19 (2017/18: £0.556m).

Revenue Balances

Set out in notes 26 and 27 to the core financial statements are the Council's reserves. As at 31 March 2019, the Council's uncommitted General Fund Balance stood at £2.622m and the total Earmarked Reserves balance stood at £7.681m.

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 2018/19 and earlier financial years in their proportionate share. Therefore, a provision of £1.1m (Fenland's share) has been recognised for the best estimate of the amount that businesses are potentially due a refund at 31 March 2019.

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 2018/19. No new borrowing was undertaken in 2018/19 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 (i.e. between 3-12 months) at the year-end amounted to £12.5m (£13m at 31st March 2018).

Pension Liabilities

At 31 March 2019, the Council's share of the assets and liabilities of the Cambridgeshire LGPS show an estimated net liability of £64.401m. 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. The Council paid a lump sum of £1.624m in April 2018 as an advanced payment of the 2018/19 and 2019/20 lump sums, generating a discount of £0.066m. This has been accounted for in the accounts for the appropriate years.

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.

Transfer of Management of Council's Leisure Centres to Freedom Leisure

With effect from 4 December 2018, the Council entered into a 15 year contract with Freedom Leisure to manage the Council's four leisure centres. The contract involves the payment to the Council by Freedom of an average annual sum in return for them to manage and operate the leisure centres. The Council retains responsibility for funding major improvements to the centres and the overall impact of this management contract is estimated to be a saving to the Council of around £345,000 per annum.

All leisure centre staff directly involved with the operation of the centres were TUPE transferred to Freedom Leisure on 4 December 2018. Freedom Leisure will become an Admitted Body to the Cambridgeshire Local Government Pension Scheme (LGPS) thereby guaranteeing the pension rights of those transferred staff who were part of the LGPS at the date of transfer. The Council will provide a guarantee to the Pension Fund in relation to the transferred staff. This is included within Contingent Liabilities at Note 41 to the accounts.

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 £9.203m during the year, from £55.198m at 31 March 2018 to £64.401m at 31 March 2019. This is a result of changes in financial assumptions used by the pension fund Actuary (Hymans-Robertson), mainly lower Corporate Bond yields which serve to increase the value of liabilities, partially off-set by higher investment returns on assets. 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 £0.708m being recognised in the revaluation reserve. These gains were offset by downward movements in the value of other assets totalling £0.572m leading to a net credit to the revaluation reserve of £0.136m.

7. MEDIUM TERM FINANCIAL STRATEGY 2019/20 – 2023/24

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 Strategy (MTFS) shows that the Council faces a continuing budget gap over the five years from April 2019. The following table summarises the position, showing a cumulative gap over the period to 2023/24 of £1.015m, as presented to Council on 21st February 2019.

Summary Medium Term Financial Strategy

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Expenditure					
Net Service Expenditure	13,813	13,787	14,139	14,482	14,949
Corporate Items	-2,902	-1,429	-1,442	-1,275	-1,326
Contribution from Reserves	0	0	0	0	0
Net Budget Requirement	10,911	12,358	12,697	13,207	13,623
Funding					
Revenue Support Grant	0	0	0	0	0
Retained Business Rates	-3,643	-3,715	-3,790	-3,865	-3,943
Business Rates Collection Fund Deficit	443	0	0	0	0
Council Tax Collection Fund Surplus	-59	-50	-50	-50	-50
Council Tax (<i>increases of 0% in 19/20 and 1.98% p.a 20/21 onwards</i>)	-7,652	-7,885	-8,122	-8,365	-8,615
Total Funding	-10,911	-11,650	-11,962	-12,280	-12,608
Surplus(-)/Shortfall(+)	0	+708	+735	+927	+1,015

The multi-year settlement announced in Autumn 2015 (covering the period 2016/17 – 2019/20), will result in RSG disappearing in 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 9.1% in 2019/20, with an inflationary increase of 2% in 2020/21 onwards.

Fair Funding Review

Alongside the provisional finance settlement in December 2018, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published a further consultation document on 'the assessment of local authorities' relative needs, relative resources and transitional arrangements'. This consultation paper marked the next step in developing a new distribution methodology and introduced potential approaches for measuring relative resources of authorities as well as proposing the principles regarding transitional arrangements. The outcome of this review is expected to be announced as part of the 2020/21 finance settlement.

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 MTFs. 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 (e.g. Garden Waste Subscription Service starting 1 April 2017 and transfer of management of the leisure centres from December 2018). Further progress has been made during 2018/19 on other projects including the development of a shared service model with Peterborough City Council for the provision of CCTV services across the District.

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 and plans to address the Council's financial challenges will be brought forward by the new administration following 'all-out' local elections held in May 2019.

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.

The Council has continued to work closely with Combined Authority to secure investment in the District. In particular, masterplans for growth covering each of the four market towns in the District are nearing completion and the cost of producing these has been funded by the Combined Authority. In November 2018 the Council submitted its proposals for the development of a garden town in Wisbech to the Ministry of Housing, Communities and Local, a project financially supported by the Combined Authority. More recently, in March 2019 the Council submitted a bid to the government's Future High Streets Fund focussing on opportunities to develop March Town Centre. The Council also continues to liaise closely with the Combined Authority who is funding a Stations Regeneration Programme aimed at enhancing transport infrastructure across the District.

8. EXPLANATION OF THE FINANCIAL STATEMENTS

The Council's financial statements for the year 2018/19 are set out on pages 20 to 99. 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 (CIES)**– 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 2019;
- 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. 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 31 May 2019. 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.

11. 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.

12. CORPORATE DIRECTOR AND CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the financial statements set out on pages 20 to 99 present a true and fair view of the financial position of Fenland District Council at 31 March 2019 and its income and expenditure for the year then ended.

Signed:

31 May 2019

Peter Catchpole

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 reasonable steps for the prevention and detection of fraud and other irregularities.

Signed:

31 May 2019

Peter Catchpole
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.

2017/18	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£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	1,066	1,066
Total Comprehensive Expenditure and Income	(1,696)	0	0	0	(1,696)	1,066	(630)
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	(2,115)	(630)
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	(2,115)	(630)
Balance at 31 March 2018 carried forward	2,422	7,321	6	158	9,907	(5,563)	4,344

2018/19	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 2018	2,422	7,321	6	158	9,907	(5,563)	4,344
Movement in reserves during 2018/19							
Deficit on Provision of Services	(1,835)	0	0	0	(1,835)	0	(1,835)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(8,151)	(8,151)
Total Comprehensive Expenditure and Income	(1,835)	0	0	0	(1,835)	(8,151)	(9,986)
Adjustments between accounting basis and funding basis under regulation (note 8)	2,395	0	(6)	267	2,656	(2,656)	0
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	560	0	(6)	267	821	(10,807)	(9,986)
Transfers to / (from) Earmarked Reserves (note 9)	(360)	360	0	0	0	0	0
Increase/(Decrease) in 2018/19	200	360	(6)	267	821	(10,807)	(9,986)
Balance at 31 March 2019 carried forward	2,622	7,681	0	425	10,728	(16,370)	(5,642)

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.

2017/18			2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,142	(1,086)	1,056	Growth and Infrastructure	2,262	(772)	1,490
13,695	(7,405)	6,290	Housing, Environment, Leisure and Community	13,957	(7,708)	6,249
32,922	(29,391)	3,531	Resources and Customer Services	30,765	(27,935)	2,830
3,331	(1,529)	1,802	Planning, Policy and Governance	3,196	(1,030)	2,166
53,090	(39,411)	12,679	Cost of Services	50,180	(37,445)	12,735
		2,475	Other operating expenditure (note 10)			2,731
		2,544	Financing and investment income and expenditure (note 11)			2,180
		(16,002)	Taxation and non-specific grant income (note 12)			(15,811)
		1,696	Deficit on Provision of Services			1,835
		1,273	(Surplus)/Deficit on revaluation of property, plant and equipment assets (note 27)			(136)
		(2,339)	Re-measurement of net defined benefit liability/ (asset) (note 40)			8,287
		(1,066)	Other Comprehensive Income and Expenditure			8,151
		630	Total Comprehensive Income and Expenditure			9,986

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 2018 £000		Note	31 March 2019 £000
48,868	Property, Plant and Equipment	13	49,120
1,302	Investment Property	14	1,306
75	Intangible Assets	15	45
464	Long Term Debtors	16	428
50,709	Long Term Assets		50,899
13,013	Short Term Investments	17	12,520
94	Inventories	20	76
5,586	Short Term Debtors	21	4,012
7,148	Cash and Cash Equivalents	22	8,114
23	Assets held for sale		20
25,864	Current Assets		24,742
(36)	Short Term Borrowing	17	(36)
(152)	Short Term Finance Lease Liability	38	(157)
(6,609)	Short Term Creditors	23	(6,273)
(1,178)	Receipts in Advance	24	(1,109)
(693)	Provisions	25	(1,101)
(8,668)	Current Liabilities		(8,676)
(7,800)	Long Term Borrowing	19	(7,800)
(563)	Finance Lease Liability	38	(406)
(55,198)	Defined Benefit Pension Liability	40	(64,401)
(63,561)	Long Term Liabilities		(72,607)
4,344	Net Assets		(5,642)
9,907	Usable Reserves	26	10,728
(5,563)	Unusable Reserves	27	(16,370)
4,344	Total Reserves		(5,642)

The notes on page 28 to 99 form part of the financial statements.

Signed: **Peter Catchpole** 31 May 2019

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.

2017/18 £000		2018/19 £000
(1,696)	Net deficit on the provision of services	(1,835)
1,886	Adjust net Deficit on the provision of services for non-cash movements (note 28)	5,873
(1,389)	Adjust for items included in the net Deficit on the provision of services that are investing and financing activities (note 28)	(1,405)
(1,199)	Net cash flows from Operating Activities	2,633
6,050	Investing Activities (note 29)	277
(852)	Financing Activities (note 30)	(1,944)
3,999	Net increase/(decrease) in cash and cash equivalents	966
3,149	Cash and cash equivalents at the beginning of the reporting period (note 22)	7,148
7,148	Cash and cash equivalents at the end of the reporting period (note 22)	8,114

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.

2017/18			2018/19			
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
1,104	(48)	1,056	Growth and Infrastructure	1,342	148	1,490
3,582	2,708	6,290	Housing, Environment, Leisure and Community	3,465	2,784	6,249
6,056	(2,525)	3,531	Resources and Customer Services	6,206	(3,376)	2,830
1,541	261	1,802	Planning, Policy and Governance	1,672	494	2,166
12,283	396	12,679	Net Cost of Services	12,685	50	12,735
(12,283)	1,300	(10,983)	Other Income and Expenditure	(12,885)	1,985	(10,900)
0	1,696	1,696	(Surplus) or Deficit	(200)	2,035	1,835
2,422			Opening General Fund Balance	2,422		
0			Plus Surplus on General Fund in Year	200		
2,422			Closing General Fund Balance at 31st March	2,622		

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NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (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 2018/19 and Service Reporting Code of Practice 2018/19, 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 (i.e. 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 are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost

Financial Assets Measured at Amortised Cost

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

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.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

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 than £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 dependent on the use of specific assets.

The Council as Lessee

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.

The Council as Lessor

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 recognized 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 2019/20 Code:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*.

The amendment to IAS 40 *Investment Property* provides clarification on transfers to or from the investment property classification.

The amendments to IFRS 9 allow financial assets with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income, and confirms that most modifications of financial liabilities will result in immediate recognition of a gain or loss.

None of these amendments or annual improvements is considered to have a material impact on the financial statements.

IFRS 16 Leases (to be adopted in the 2020/21 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 2018/19 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 2019. 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 2019. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.1m this has increased by £0.408m 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 2019 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	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the

	<p>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.</p> <p>The methodology for valuing properties at Depreciated Replacement Cost (DRC), e.g. Leisure Centres, includes an adjustment for obsolescence as deemed reasonable by the Council's valuers and management</p>	<p>annual depreciation charge for buildings would increase by £15k for every year that useful life is reduced.</p>
Pensions Liability	<p>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.</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. For example:</p> <p>(i) a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £15.506m</p> <p>(ii) a 0.5% increase in the salary increase rate would result in an increase in the pension liability of £2.304m.</p> <p>(iv) a 0.5% increase in the pension increase rate would result in an increase in the pension liability of £12.939m.</p> <p>However, the assumptions interact in complex ways, so care should be taken when looking at changes in one variable in isolation.</p>

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are no material items of income and expenditure which are not otherwise disclosed on the face of the Core Financial Statements or accompanying notes.

6. EXPENDITURE AND FUNDING ADJUSTMENTS ANALYSIS

Adjustments between Funding and Accounting Basis 2018/19	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	163	34	(49)	148
Housing, Environment, Leisure and Community	1,119	607	1,058	2,784
Resources and Customer Services	(556)	(622)	(2,198)	(3,376)
Planning, Policy and Governance	188	146	160	494
Net Cost of Services	914	165	(1,029)	50
Other Income and Expenditure from the Expenditure and Funding Analysis	(161)	96	2,050	1,985
Difference between General Fund Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	753	261	1,021	2,035

Adjustments between Funding and Accounting Basis 2017/18	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	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

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	2018/19 Income from Services £000	2017/18 Income from Services (Restated) £000
Growth and Infrastructure	(232)	(162)
Housing, Environment, Leisure and Community	(5,314)	(5,911)
Resources and Customer Services	(196)	(21)
Planning, Policy and Governance	(986)	(1,422)
Financing and Investment Income	(2,324)	(2,191)
Total Fees, charges and other service income	(9,052)	(9,707)

7. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

<u>Expenditure/Income</u>	2018/19 £000	2017/18 £000
<u>Expenditure</u>		
Employee Benefits Expenses	14,832	16,077
Other Service Expenses	38,669	39,377
Depreciation, Amortisation, Impairment	1,569	1,803
Interest Payments	507	512
Precepts and Levies	3,266	3,600
(Gain) on the Disposal of Assets	(95)	(256)
Total Expenditure	58,748	61,113
Fees, Charges and Other Service Income	(9,052)	(9,707)
Interest and Investment Income	(190)	(130)
Income from Council Tax and Non-Domestic Rates	(12,631)	(12,942)
Government Grants and Other Contributions	(35,040)	(36,638)
Total Income	(56,913)	(59,417)
Deficit on Provision of Services	1,835	1,696

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.

2018/19	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	1,514	0	0	(1,514)
Revaluation Deficit on Property, Plant and Equipment	18	0	0	(18)
Movements in the market value of Investment Properties	(4)	0	0	4
Amortisation of intangible assets	42	0	0	(42)
Capital grants and contributions that have been applied to capital financing	(1,113)	0	0	1,113
Revenue expenditure funded from capital under statute	1,194	0	0	(1,194)
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	15	0	0	(15)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(151)	0	0	151
Capital expenditure charged against General Fund Balance	(1,091)	0	0	1,091
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	(110)	110	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(138)	0	138
Miscellaneous Capital receipt	0	4	0	(4)
Transfer of deferred capital receipts to useable capital receipts reserve on receipt of cash	0	18	0	(18)

2018/19	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	(297)	0	297	0
Capital Grants Unapplied applied to Financing of Capital Expenditure	0	0	(30)	30
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	46	0	0	(46)
Adjustments primarily involving the LGPS Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,087	0	0	(4,087)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,340)	0	0	2,340
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	667	0	0	(667)
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	(82)	0	0	82
Total Adjustments	2,395	(6)	267	(2,656)

2017/18	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
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)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
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 receipts	(13)	13	0	0
Transfer of deferred capital receipts to useable capital receipts reserve on receipt of cash	0	228	0	(228)
Usable Reserves				

2017/18

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £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)

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 2018/19.

	Note	Balance	Movements in year		Balance	Movements in year		Balance
		at 1 April 2017	Receipts	Applied	at 31 March 2018	Receipts	Applied	at 31 March 2019
		£000	£000	£000	£000	£000	£000	£000
Travellers Sites	1	256	28	(2)	282	23	0	305
Maintenance - Station Road, Whittlesey	2	6	3	0	9	3	0	12
CCTV	3	99	10	(4)	105	0	(4)	101
Invest to Save	4	120	0	0	120	0	0	120
Conservation	5	54	0	0	54	0	(50)	4
Management of Change Reserve	6	1,198	335	(212)	1,321	0	(118)	1,203
Neighbourhood Planning Reserve	7	195	0	(10)	185	0	0	185
Specific Grants Reserve	8	642	526	(129)	1,039	723	(125)	1,637
Personal Search Fees	9	115	0	0	115	0	0	115
Community Projects	10	12	0	0	12	0	0	12
Local Government Resource Review	11	500	0	0	500	556	0	1,056
Capital Contribution Reserve	12	657	600	(10)	1,247	96	(923)	420
Port – Buoy Maintenance	13	149	0	(2)	147	0	0	147
Pilots' National Pension Fund	14	451	0	0	451	0	(451)	0
Repairs & Maintenance Reserve	15	400	143	0	543	100	0	643
Development Fund	16	1,000	0	0	1,000	0	0	1,000
Wisbech High St HLF Reserve	17	0	191	0	191	0	(39)	152
Local Plan Reserve	18	0	0	0	0	451	0	451
Solid Wall Remediation	19	0	0	0	0	100	0	100
Street Lighting	20	0	0	0	0	18	0	18
Total		5,854	1,836	(369)	7,321	2,070	(1,710)	7,681

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 set-up 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 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.
16. A Development Fund was established in 2016/17 to enable progression of future development and property schemes.
17. 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.
18. The Local Plan Reserve has been established in 2018/19 to fund the costs of preparing an updated local plan.
19. The Solid Wall Remediation Reserve has been established in 2018/19 to fund potential costs linked to solid wall installations in the District.
20. The Street Lighting Reserve has been established in 2018/9 to fund future repairs and maintenance relating to street lighting.

10. OTHER OPERATING EXPENDITURE

	2018/19	2017/18
	£000	£000
Parish Council Precepts	1,361	1,260
Council Tax Support Grant – Payments to Parish Councils	30	59
Drainage Board Levies	1,435	1,412
Gain on the Disposal of Non-Current Assets	(95)	(256)
Total	2,731	2,475

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19	2017/18
	£000	£000
Deficit on Trading Accounts	464	729
Interest payable and similar charges	507	512
Interest on the net defined pension liability	1,487	1,445
Interest receivable and similar income	(190)	(130)
Income and expenditure in relation to investment properties and changes in their fair value	(88)	(12)
Total	2,180	2,544

12. TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19	2017/18
	£000	£000
Council Tax income	(8,934)	(8,647)
Net share of business rate income	(3,269)	(3,620)
Non-ring-fenced Government grants	(3,114)	(3,655)
Capital grants and contributions	(494)	(80)
Total	(15,811)	(16,002)

13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19:

	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 2018	34,271	15,108	41	7,751	1,492	5,097	63,760
Additions	528	870	83	166	0	0	1,647
Revaluation Surplus/(Deficit) recognised in the Revaluation Reserve	(728)	0	0	0	0	0	(728)
Revaluation Surplus/(Deficit) recognised in the Deficit on the Provision of Services	77	0	0	0	0	0	77
At 31 March 2019	34,148	15,978	124	7,917	1,492	5,097	64,756
Accumulated Depreciation and Impairment							
At 1 April 2018	(638)	(11,507)	0	(2,659)	(88)	0	(14,892)
Depreciation charge	(365)	(707)	0	(293)	0	0	(1,365)
Impairment Losses/(reversals) recognised in the Surplus/(Deficit) on Provision of Services	(141)	0	0	0	0	0	(141)
Depreciation charge to the Revaluation Reserve	(149)	0	0	0	0	0	(149)
Depreciation written out to the Surplus/Deficit on Provision of Services	47	0	0	0	0	0	47
Depreciation charge written out to the Revaluation Reserve	864	0	0	0	0	0	864
At 31 March 2019	(382)	(12,214)	0	(2,952)	(88)	0	(15,636)
Net Book Value							
At 31 March 2019	33,766	3,764	124	4,965	1,404	5,097	49,120
At 31 March 2018	33,633	3,601	41	5,092	1,404	5,097	48,868

Comparative 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	(1,530)	0	0	0	0	0	(1,530)
Revaluation Surplus/(Deficit) recognised in the Deficit on the Provision of Services	(345)	0	0	0	(49)	0	(394)
At 31 March 2018	34,271	15,108	41	7,751	1,492	5,097	63,760
Accumulated Depreciation and Impairment							
At 1 April 2018	(650)	(10,767)	0	(2,367)	(88)	0	(13,872)
Depreciation charge	(392)	(740)	0	(292)	0	0	(1,424)
Impairment Losses/(reversals) recognised in the Surplus/(Deficit) on Provision of Services	0	0	0	0	0	0	0
Depreciation charge to the Revaluation Reserve	(216)	0	0	0	0	0	(216)
Depreciation written out to the Surplus/Deficit on 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	33,633	3,601	41	5,092	1,404	5,097	48,868
At 31 March 2017	35,404	3,713	0	5,310	1,444	5,097	50,968

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 Investment Properties

The Council's investment properties have been valued as at 31 March 2019 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 2019, the Council had contractual capital commitments of £0.246m (2017/18 £0.214m).

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 value of the Council's Leisure Centres which are valued at Depreciated Replacement Cost (DRC) was likely to have changed to a material extent since the previous valuation due to changes in building costs. As a result of this review, desktop valuations were conducted for all the leisure centres. 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	4,965	1,404	3,764	0	10,133
Valued at current/fair value as at:						
31 March 2016	2,410	0	0	0	33	2,443
31 March 2019	31,356	0	0	0	5,064	36,420
Total	33,766	4,965	1,404	3,764	5,097	48,996

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:

	2018/19	2017/18
	£000	£000
Rental income from investment property	(84)	(91)
Loss/(Gain) on revaluation of investment property	(4)	79
Net (Gain)/Loss	(88)	(12)

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:

	2018/19	2017/18
	£000	£000
Balance at start of the year	1,302	1,381
Net gain/(loss) from fair value adjustments	4	(79)
Balance at end of the year	1,306	1,302

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 13 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 £42,000 charged to revenue in 2018/19 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:

	2018/19	2017/18
	£000	£000
Balance at start of year		
Gross Carrying amount	1,486	1,479
Accumulated amortisation	(1,411)	(1,357)
Net carrying amount at start of year	75	122
Additions	12	7
Amortisation for the year	(42)	(54)
Net carrying amount at end of year	45	75
Comprising:		
Gross carrying amounts	1,498	1,486
Accumulated amortisation	(1,453)	(1,411)

16. LONG TERM DEBTORS

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

	31 March 2019	31 March 2018
	£000	£000
Mortgages	52	53
Private sector housing improvement loans	190	129
Deferred land sale proceeds	0	30
Employee car loans	186	219
Other	0	33
Total	428	464

17. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Carrying amount	
	31 March 2019	31 March 2018
	£000	£000 (Restated)
Financial liabilities		
(Measured at Amortised Cost)		
Long Term Liabilities	(7,800)	(7,800)
Short Term Borrowings	(36)	(36)
Creditors	(3,589)	(3,185)
	(11,425)	(11,021)

Financial Assets (Measured at Amortised Cost)		
Debtors	2,521	2,402
Cash & Cash Equivalents	8,114	7,148
Investments	12,520	13,013
	23,155	22,563

Prior year disclosures in respect of the carrying amount of Debtor Balances and the associated totals and sub-totals have been restated to correct a minor discrepancy in the prior year accounts which came to light as part of work to implement IFRS 9.

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:

	Financial Liabilities	Financial Assets	Total
	31 March 2019	31 March 2019	31 March 2019
	£000	£000	£000
Interest Income – soft loans	0	(9)	(9)
Interest and Investment Income	0	(181)	(181)
Increase in allowance for expected credit losses	0	394	394
Interest payable and similar charges	571	0	571
Net loss for year	571	204	775

	Financial Liabilities	Financial Assets	Total
	31 March 2018	31 March 2018	31 March 2018
	£000	£000	£000
Interest Income – soft loans	0	(3)	(3)
Interest and Investment Income	0	(121)	(121)
Increase in allowance for expected credit losses	0	270	270
Interest payable and similar charges	516	0	516
Net loss for year	516	146	662

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 the allowance for expected credit losses 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 2019 the Council held £23.15m financial assets and £11.43m 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 2019	Fair Value 31 March 2019	Carrying Amount 31 March 2018 (Restated)	Fair Value 31 March 2018 (Restated)
	£000	£000	£000	£000
Financial liabilities				
Long Term Liabilities	(7,800)	(12,183)	(7,800)	(11,997)
Short Term Borrowing	(36)	(36)	(36)	(36)
Creditors	(3,589)	(3,589)	(3,185)	(3,185)
	<u>(11,425)</u>	<u>(15,808)</u>	<u>(11,021)</u>	<u>(15,218)</u>
Loans & Receivables				
Total Debtors	2,521	2,521	2,402	2,402
Cash & Cash	8,114	8,114	7,148	7,148
Equivalents				
Investments	12,520	12,520	13,013	13,013
	<u>23,155</u>	<u>23,155</u>	<u>22,563</u>	<u>22,819</u>
Total	<u>11,761</u>	<u>7,378</u>	<u>11,573</u>	<u>7,601</u>

Prior year disclosures in respect of the carrying amount and fair value amount of Debtor Balances and the associated totals and sub-totals have been restated to correct a minor discrepancy in the prior year accounts which came to light as part of work to implement IFRS 9.

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 £7.010m. 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 £3.087m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £7.618m

This redemption charge is a supplementary measure of the fair value of the PWLB loans of £7.618m. 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 2019 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 2019 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.

31 March 2019	Maturity Bands			Total
	Less than 3 Months	3 Months to 6 Months	6 Months to 1 year	
	£000	£000	£000	£000
Banks	4,700	5,000	0	9,700
Building Societies	3,500	0	0	3,500
Local Authorities	7,000	0	0	7,000
	15,200	5,000	0	20,200

31 March 2018	Maturity Bands			Total
	Less than 3 Months	3 Months to 6 Months	6 Months to 1 year	
	£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

The simplified approach is used to determine the provision for expected credit losses for trade debtors. A matrix is used to determine the appropriate level of provision. The likelihood of a debtor not fulfilling their obligations is assessed based on the Council's experience of securing payment in previous financial years for debt where the credit period had been exceeded adjusted to reflect the Council's understanding of how economic trends expected to prevail over the medium-term may impact on the prospect of the Council securing the payments due.

For financial assets not classified as a trade debtor, the provision for expected credit losses is based upon an assessment of the extent to which credit risk associated with individual assets has increased since initial recognition. The following factors are taken into account:

- the Council normally only allows counterparties credit of 14 days. If this period has been exceeded without contact from the counterparty this is likely to be indicative of an increase in the credit risk associated with the financial asset;
- the Council permits some customers to pay off their outstanding balance in instalments. If two or more instalments have been missed this is likely to be indicative of an increase in the credit risk associated with the financial asset
- the Council regularly reviews outstanding balances to determine if circumstances have arisen which make the debt eligible for write-off in accordance with the Council's policy on write-offs. Write-offs are approved promptly and arrangements are in place to ensure outstanding proposals for write-off are actioned prior to each Balance Sheet date

The changes in the loss allowance during the year analysed according to the method using to calculate the expected credit loss is shown in the table below:

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses – Not Credit Impaired	Lifetime Expected Credit Losses – Simplified Approach	Total
	£000	£000	£000	£000
Opening Balance at 1 April 2018	0	386	44	430
New Financial Assets Originated or Purchased	0	0	0	0
Amounts Written Off	0	0	(8)	(8)
Changes in Model/ Risk Parameters	0	(87)	26	(61)
As at 31 March 2019	0	299	62	361

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses – Not Credit Impaired	Lifetime Expected Credit Losses – Simplified Approach	Total
	£000	£000	£000	£000
Opening Balance at 1 April 2017	0	385	57	442
New Financial Assets Originated or Purchased	0	0	0	0
Amounts Written Off	0	0	(36)	(36)
Changes in Model/ Risk Parameters	0	1	23	24
As at 31 March 2018	0	386	44	430

The Council has the following exposure to credit risk at 31 March 2019

Basis for Calculation of Expected Credit Loss	Gross Carrying Amount 31 March 2019 £000	Gross Carrying Amount 31 March 2018 £000
12-Month Expected Credit Losses	594	766
Lifetime Expected Credit Losses – Not Credit Impaired	299	386
Lifetime Expected Credit Losses – Simplified Approach	1,628	1,250

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 2019 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 2019 £000	31 March 2018 £000
Between 5 and 10 years	2,000	0
Between 10 and 15 years	2,500	4,500
Between 30 and 35 years	3,300	0
Between 35 and 40 years	0	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 2018/19 would have been a reduction in income of £54,000 (£80,000 reduction in 2017/18).

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

	Total (General & Vehicle)	
	2018/19 £000	2017/18 £000
Balance outstanding at start of year	94	64
Purchases	340	352
Recognised as an expense in the year	(358)	(322)
Balance outstanding at year-end	76	94

21. SHORT TERM DEBTORS

	31 March 2019 £000	31 March 2018 £000
Central Government bodies	510	1,734
Trade Receivables	1,245	1,057
Other	2,257	2,795
Total	4,012	5,586

Each line item is presented net of a provision for expected credit losses. Details of the Council's approach to determining the level of provision required is explained in Note 19 to the financial statements.

22. CASH AND CASH EQUIVALENTS

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

	31 March 2019 £000	31 March 2018 £000
Cash held by the Council	7,711	6,505
Bank Current Accounts	403	643
Total Cash and Cash Equivalents	8,114	7,148

23. SHORT TERM CREDITORS

	31 March 2019	31 March 2018
	£000	£000
Central Government bodies	1,725	2,333
Trade	1,551	1,548
Other entities and individuals	2,997	2,728
Total	6,273	6,609

24. RECEIPTS IN ADVANCE

	31 March 2019	31 March 2018
	£000	£000
Central Government bodies	423	436
Trade	26	119
Garden Waste receipts in advance	613	551
Other	47	72
Total	1,109	1,178

25. PROVISIONS

	31 March 2019	31 March 2018
	£000	£000
Balance at 1 April	693	3,000
Additional Provision	408	0
Utilised in Year	0	(2,307)
Balance at 31 March	1,101	693

Included within Provisions are amounts set aside to meet potential future liabilities for Business Rates Appeals. The opening Balance at 1 April 2018 included, as well as amounts relating to business rates appeals, 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 2019	31 March 2018
	£000	£000
Revaluation Reserve	17,894	17,907
Capital Adjustment Account	31,732	31,831
Financial Instruments Adjustment Account	(303)	(257)
Pensions Reserve LGPS	(65,232)	(55,198)
Deferred Capital Receipts Reserve	0	30
Collection Fund Adjustment Account	(264)	403
Accumulated Absences Account	(197)	(279)
Total	(16,370)	(5,563)

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.

	2018/19	2017/18
	£000	£000
Balance at 1 April	17,907	19,442
Upward revaluation of assets	708	561
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(572)	(1,834)
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	136	(1,273)
Difference between fair value depreciation and historical cost depreciation	(149)	(216)
Accumulated gains on assets sold or scrapped	0	(46)
Amount written off to the Capital Adjustment Account	(149)	(262)
Balance at 31 March	17,894	17,907

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 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2018/19 £000	2017/18 £000
Balance at 1 April	31,831	32,353
Charges for depreciation and impairment of non-current assets	(1,514)	(1,640)
Revaluation Surplus/(Deficit) on Property, Plant and Equipment	(18)	(31)
Amortisation of intangible assets	(42)	(54)
Revenue expenditure funded from capital under statute	(1,194)	(1,017)
Private Sector Housing Loans	(4)	(5)
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	(15)	(52)
Write Down of Deferred Capital Receipt	12	0
Adjusting amounts written out of the Revaluation Reserve	149	262
Use of the Capital Receipts Reserve to finance new capital expenditure	138	589
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,113	1,067
Application of grants to capital financing from the Capital Grants Unapplied Account	30	0
Statutory provision for the financing of capital investment charged against the General Fund Balance	151	215
Capital expenditure charged against the General Fund Balance	1,091	224
Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement	4	(80)
Balance at 31 March	31,732	31,831

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.

	2018/19 £000	2017/18 £000
Balance at 1 April	(257)	(264)
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	(50)	3
Balance at 31 March	(303)	(257)

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 a benefit 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.

	2018/19 £000	2017/18 £000
Balance at 1 April	(55,198)	(55,049)
Re-measurements of the net defined benefit liability	(8,287)	2,339
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	(4,087)	(4,845)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,340	2,357
Balance at 31 March	(65,232)	(55,198)

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.

	2018/19 £000	2017/18 £000
Balance at 1 April	30	258
Write Down on Receipt of Cash Proceeds	(12)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(18)	(228)
Balance at 31 March	0	30

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.

	2018/19 £000	2017/18 £000
Balance at 1 April	403	43
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	(667)	360
Balance at 31 March	(264)	403

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.

	2018/19 £000	£000	2017/18 £000	£000
Balance at 1 April		(279)		(231)
Settlement or cancellation of accrual made at the end of the preceding year	279		231	
Amounts accrued at the end of the current year	<u>(197)</u>		<u>(279)</u>	
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		82		(48)
Balance at 31 March		<u>(197)</u>		<u>(279)</u>

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.

	2018/19 £000	2017/18 £000
Depreciation	1,514	1,640
Impairment & downward/upward revaluations	18	31
Amortisation	42	54
Increase in impairment for bad debts	499	312
Increase/(decrease) in Creditors	258	619
(Increase)/decrease in Debtors	1,282	(1,055)
Decrease/(Increase) in inventories	18	(30)
Movement in pension liability	1,747	2,488
Contribution to/(from) provisions	408	(2,307)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	3	55
Movement in fair value of investment properties	(4)	79
Other non-cash transactions	88	0
	<u>5,873</u>	<u>1,886</u>

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

	2018/19 £000	2017/18 £000
Miscellaneous capital receipts	(19)	0
Capital grants credited to the deficit on the provisions of services	(1,295)	(1,066)
Proceeds from the sale of property, plant and equipment	(91)	(323)
	(1,405)	(1,389)

c) Interest received and interest paid.

	2018/19 £000	2017/18 £000
Interest received	179	130
Interest paid	(507)	(512)
	328	(382)

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	(1,546)	(1,218)
Purchase of short-term investments	(34,000)	(37,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	91	551
Proceeds from short-term investments	34,500	42,500
Other payments for investing activities	(115)	0
Other receipts from investing activities	1,347	1,217
Net cash flows from investing activities	277	6,050

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19 £000	2017/18 £000
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(152)	(215)
Other payments for financing activities	(1,792)	(637)
Net cash flows from financing activities	(1,944)	(852)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2018 £000	Financing Cash Flows £000	31 March 2019 £000
Long Term Borrowing	7,800	0	7,800
Lease Liabilities	715	(152)	563
Total Liabilities from financing activities	8,515	(152)	8,363

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.

	2018/19 £000	2017/18 £000
Expenditure	88	104
Income	(22)	(24)
Deficit Before Capital Charges	<u>66</u>	<u>80</u>
Capital Charges	4	4
Deficit Taken to General Fund	<u><u>70</u></u>	<u><u>84</u></u>

Port Undertaking

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

	2018/19 £000	2017/18 £000
Expenditure	1,126	1,206
Income	(1,097)	(1,075)
Deficit Before Capital Charges	<u>29</u>	<u>131</u>
Capital Charges	271	295
Deficit Taken to General Fund	<u><u>300</u></u>	<u><u>426</u></u>

Mini-factories, Estates 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. Estate areas amounting to 44.5 acres are operated by the Council. Financial results were as follows:

	2018/19 £000	2017/18 £000
Expenditure	1,001	1,021
Income	(824)	(795)
Deficit Before Capital Charges	177	226
Capital Charges	46	112
Deficit Taken to General Fund	223	338

Trade Waste

The financial results for Trade Waste were as follows:

	2018/19 £000	2017/18 £000
Expenditure	250	246
Income	(379)	(365)
(Surplus) taken to General Fund	(129)	(119)

There are currently no capital charges in relation to Trade Waste.

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.

	2018/19 £000	2017/18 £000
Allowances	311	310
Expenses	19	12
Total	330	322

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		2018/19	143,173	2,000	145,173	24,912	170,085
		2017/18	140,366	2,000	142,366	24,424	166,790
Corporate Director and Chief Finance Officer	1	2018/19	42,150	4,223	46,373	3,782	50,155
		2017/18	78,948	7,863	86,811	13,737	100,548
Corporate Director and Chief Finance Officer	2	2018/19	9,729	950	10,679	1,693	12,372
		2017/18	0	0	0	0	0
Corporate Director and Chief Finance Officer	3	2018/19	0	0	0	0	0
		2017/18	10,941	1,073	12,014	1,904	13,918
Corporate Director and Monitoring Officer	4	2018/19	59,306	8,400	67,706	15,082	82,788
		2017/18	83,673	8,293	91,966	14,559	106,525
Corporate Director	5	2018/19	86,023	8,400	94,423	14,968	109,391
		2017/18	84,336	8,400	92,736	14,674	107,410
Corporate Director	5	2018/19	86,023	8,400	94,423	14,968	109,391
		2017/18	84,336	8,400	92,736	14,674	107,410

Note 1: The Corporate Director and Chief Finance Officer left the Council on 2nd July 2018. The annualised salary was £86,023. For the period 3rd July – 12th August 2018, the Council engaged an officer employed by Peterborough City Council to act as its Chief Finance Officer. The Council paid Peterborough City Council £9,000 for this officer's service. For the period 13th August 2018 – 28th February 2019, the Council appointed, through a contract with Penna Plc, an interim Corporate Director and Chief Finance Officer. The cost of this contract was £106,296.

Note 2: A new Corporate Director and Chief Finance Officer started with the Council on 19th February 2019. The annualised salary was £86,023.

Note 3: The Corporate Director and Chief Finance Officer left the Council on 7th May 2017. The annualised salary was £107,110.

Note 4: The Corporate Director and Monitoring Officer began a period of maternity leave from 1st September 2018. The annualised salary was £86,023. Whilst the post-holder was on maternity leave the Council engaged an officer employed by Peterborough City Council to act as Monitoring Officer for the period 1st September to 31st March 2019. The Council paid Peterborough City Council £43,182 for this officer's service.

Note 5: The two Corporate Directors shown above are both members of the Council's Corporate Management Team.

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	
	2018/19 Total	2017/18 Total
£50,000 - £54,999	9	8
£55,000 - £59,999	6	10
£60,000 - £64,999	6	2
£65,000 - £69,999	1	0
£85,000 - £89,999	0	1
£90,000 - £94,999	2	3
£140,000 - £144,999	0	1
£145,000 - £149,999	1	0

The band changes from 2017/18 to 2018/19 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 2018/19.

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £20,000	0	0	2	7	2	7	32	47
£20,001- £40,000	0	0	0	1	0	1	0	37
£40,001- £60,000	0	0	0	0	0	0	0	0
Total	0	0	2	8	2	8	32	84
Total cost included in Comprehensive Income and Expenditure							32	84

34. EXTERNAL AUDIT COSTS

In 2018/19 Fenland District Council incurred the following fees relating to external audit and inspection:

	2018/19 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditor	39	43
Fees payable for the certification of grant claims and returns	15	14
Total Audit Costs	54	57

External audit costs for 2017/18 included 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 2018/19:

	2018/19 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	444	925
Net Share of Business Rate Income	3,269	3,620
New Homes Bonus Grant	1,426	1,657
Capital Grants and Contributions	494	80
Business Rate Reliefs Funded by Government	1,244	1,072
Other Central Government Grants	0	1
Total	6,877	7,355
Credited to Services		
Housing Benefit Subsidy	26,651	28,154
Capital Grants and Contributions	900	1,028
Housing Benefits/Local Council Tax Support Admin	449	485
NNDR Cost of Collection	123	124
Care and Repair Grant	0	38
Homelessness Prevention	565	523
Controlling Migration	1,113	296
New Burdens Grant	154	171
Other	162	167
Total	30,117	30,986

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 £2,210,772 (2017/18: £1,801,910).

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 note 7 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 2018/19 was 13.53%.

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

With effect from 1st April 2019, following the mergers of Forest Heath and St Edmundsbury Councils (to form West Suffolk) and Waveney and Suffolk Coastal Councils (East Suffolk), ARP now consists of 5 partner authorities.

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.

	2018/19	2017/18
	£000	£000
Opening Capital Financing Requirement	766	981
<i>Capital investment (as reported in notes 13-15)</i>		
Property, Plant and Equipment	1,647	844
Intangible Assets	12	7
<i>Capital expenditure charged to Comprehensive Income and Expenditure Statement</i>		
Revenue Expenditure Funded from Capital under Statute	1,309	1,029
Sources of finance		
Capital receipts	(138)	(589)
Government grants and other contributions	(1,142)	(1,067)
Sums set aside from revenue:		
Direct revenue contributions	(1,091)	(224)
Minimum Revenue Provision (MRP)	(151)	(215)
Closing Capital Financing Requirement	1,212	766
Explanation of movements in year		
Capital Expenditure Funded from Internal Borrowing	597	0
MRP charge to Revenue	(151)	(215)
Increase/(decrease) in Capital Financing Requirement	446	(215)

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 £591,480 (2017/18: £750,679).

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:

	2018/19	2017/18
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
• current	157	152
• non –current	406	563
Finance costs payable in future years	44	68
Minimum lease payments	607	783

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£000	£000	£000	£000
Not later than one year	176	176	157	152
Later than one year and not later than five years	431	583	406	540
Later Than 5 Years	0	24	0	23
	607	783	563	715

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 2019	31 March 2018
	£000	£000
Not later than one year	12	87
Later than one year and not later than five years	5	17
	17	104

Lease payments for 2018/19 amounted to £86,974 (2017/18: £86,974)

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 2019 £000	31 March 2018 £000
Not later than one year	74	62
Later than one year and not later than five years	50	24
	124	86

Lease payments for 2018/19 amounted to £105,054 (2017/18: £102,004).

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 2019 £000	31 March 2018 £000
Not later than one year	82	103
Later than one year and not later than five years	60	77
Later than five years	427	441
	569	621

39. TERMINATION BENEFITS

The Council terminated the contracts of 8 employees in 2018/19, resulting from a programme of service staffing reviews, incurring redundancy/compensation costs of £83,944 (£32,000 in 2017/18) – see note 33 of the financial statements for the number of exit packages and total cost per band.

40. DEFINED BENEFIT PENSION SCHEMES **(i) The Local Government Pension Scheme**

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 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	2018/19	2017/18
	£000	£000
<i>Cost of Services:</i>		
• Current service cost	3,296	3,344
• Past Service Cost (including curtailments)	0	56
• Effect of settlements	(696)	0
<i>Financing and Investment Income and Expenditure</i>		
• Interest income on scheme assets	(2,010)	(1,906)
• Interest cost on defined benefit obligation	3,497	3,351
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	4,087	4,845
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	(2,931)	291
• Actuarial gains and losses arising on changes in demographic assumptions	0	0
• Actuarial gains and losses arising on changes in financial assumptions	11,166	(2,638)
• Other	52	8
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	12,374	2,506
<i>Movement in Reserves Statement:</i>		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,747)	(2,488)
<i>Actual amount charged against General Fund Balance for pensions in the year:</i>		
• Employers' contributions payable to scheme	3,171	2,357

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme	
	2018/19	2017/18
	£000	£000
Present value of funded liabilities	(141,300)	(129,024)
Present value of unfunded liabilities	(1,221)	(1,194)
Fair value of plan assets	78,120	75,020
Net liability arising from defined benefit obligation	(64,401)	(55,198)

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

	Local Government Pension Scheme	
	2018/19	2017/18
	£000	£000
Opening fair value of scheme assets	75,020	73,423
Effect of Settlements	(2,510)	0
Interest income	2,010	1,906
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	2,931	(291)
Contributions from employer	3,171	2,357
Contributions from employees into the scheme	563	556
Benefits paid	(3,065)	(2,931)
Closing fair value of scheme assets	78,120	75,020

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2018/19	2017/18
	£000	£000
Opening balance at 1 April	(130,218)	(128,472)
Current service cost	(3,296)	(3,344)
Past service cost (including curtailments)	0	(56)
Effect of Settlements	3,206	0
Interest cost	(3,497)	(3,351)
Contributions from scheme participants	(563)	(556)
Re-measurement gains and (losses):		
• Actuarial gains/losses arising from changes in demographic assumptions	0	0
• Actuarial gains/losses arising from changes in financial assumptions	(11,166)	2,638
• Other	(52)	(8)
Benefits paid	3,065	2,931
Closing balance at 31 March	(142,521)	(130,218)

Local Government Pension Scheme assets comprised:

Asset Category	Fair Value of Scheme Assets							
	2018/19				2017/18			
	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	2,309	0	2,309	3%	2,082	0	2,082	3%
Manufacturing	1,475	0	1,475	2%	1,346	0	1,346	2%
Energy and Utilities	1,806	0	1,806	2%	1,614	0	1,614	2%
Financial Institutions	2,992	0	2,992	4%	3,231	0	3,231	4%
Health and Care	470	0	470	1%	795	0	795	1%
Information and Technology	468	0	468	1%	354	0	354	1%
Debt Securities:								
UK Government	0	1,941	1,941	2%	0	1,890	1,890	3%
Private Equity:								
All	0	6,373	6,373	8%	0	6,954	6,954	9%
Investment Funds and Unit Trusts:								
Equities	0	42,510	42,510	54%	0	41,519	41,519	55%
Bonds	0	7,484	7,484	9%	0	7,535	7,535	10%
Infrastructure	0	2,922	2,922	4%	0	0	0	0%
Other	0	6,136	6,136	8%	0	5,237	5,237	7%
Cash and Cash Equivalents:								
All	1,188	0	1,188	2%	2,414		2,414	3%
TOTALS	10,708	67,366	78,074	100%	11,836	63,135	74,971	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	
	2018/19	2017/18
<i>Longevity at 65 for current pensioners</i>		
Men	22.4 years	22.4 years
Women	24.4 years	24.4 years
<i>Longevity at 65 for future pensioners</i>		
Men	24.0 years	24.0 years
Women	26.3 years	26.3 years
Rate of increase in pensions	2.5%	2.4%
Rate of increase in salaries	2.8%	2.7%
Rate for discounting scheme liabilities	2.4%	2.7%

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 2017/18.

Change in assumptions at 31 March 2019	Approximate % increase to Employer Liability	Approximate Monetary Amount £000
0.5% decrease in real discount rate	11%	15,506
0.5% increase in the salary increase rate	2%	2,304
0.5% increase in the pension increase rate	9%	12,939

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 next triennial valuation is due as at 31 March 2019 and will be reported in the autumn of 2019.

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 £64.401m 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 £1.605m contributions to the scheme in 2019/20. This figure takes account of an up-front payment of £831,000 made in April 2018 in respect of lump sums due for the 2019/20 financial year. This is reflected in the pension liability in the Balance Sheet which has been reduced to take account of the up-front payment. 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 (now Clarion) 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)

In February 2018, the Council 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.

Pension Contingent Liabilities

a) Leisure Centres Management Contract

The Council has entered into a 15 year management contract for its leisure centres with Freedom Leisure Ltd. The contract began on 4 December 2018 and all staff involved in the operation of the centres have been TUPE transferred to Freedom Leisure. The Council has given certain guarantees in relation to the pension rights of the transferred staff for the duration of the contract.

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

b) McCloud/Sargeant Case

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement following which, the Government has applied to the Supreme Court for permission to appeal this judgement. If the appeal is unsuccessful the case would be referred back to the Employment Tribunal and it would be prudent to assume the remedy would be equivalent to extending the 'best of both' underpin to all members.

The Government Actuary's Department (GAD) under instruction of the LGPS Scheme Advisory Board, has calculated a potential IAS 19 accounting liability expected to be 0.5% to 1.0% of defined benefit obligation, should the government be unsuccessful in its application to appeal or if the Court of Appeal's judgement is upheld by the Supreme Court and the agreed remedy for the LGPS is to extend the 'underpin' protections to all members. This estimate is at Scheme level encompassing a range of different assumptions typically used by employers to report pension costs, for the Council this is expected to be around £0.32M to £0.64M. The eventual impact on the Council's accounts will depend on the remedy chosen by government to compensate members (which may not be the scenario modelled by the GAD); the membership profile (age/sex/salary) or the Council's membership and the assumptions used to report pension costs at time of recognition.

c) Guaranteed Minimum Pension (GMP) Equalisation

GMP requirements relate to (in summary) where a pension scheme was 'contracted out' of additional state pension arrangements. If the contracted out pension benefits are less than the pensioner would have received if the contracting out had not applied the pension scheme would be required to increase pension paid to reach the GMP.

The UK Government website states that: Defined benefit pensions schemes that were Contracted-out Salary Related (COSR) schemes before contracting-out ended on 6 April 2016 need to provide a guaranteed minimum pension (GMP) to members for contracted-out service between 6 April 1978 and 5 April 1997. The GMP is payable at age 60 for a woman and at age 65 for a man.

At this stage there is insufficient information available to calculate any potential impact on the Council's accounts.

THE COLLECTION FUND

Total 2017/18 £000		N o t e	Council Tax 2018/19 £000	NNDR 2018/19 £000	Total 2018/19 £000
INCOME					
50,893	Council Tax Receivable	2	53,937	0	53,937
25,338	Business Rates Receivable	3	0	25,781	25,781
76,231	Total Income		53,937	25,781	79,718
EXPENDITURE					
Precepts, Demands and Shares:					
12,043	Central Government		0	12,576	12,576
18,148	Fenland District Council		8,909	10,061	18,970
35,973	Cambridgeshire County Council		36,219	2,264	38,483
5,303	Cambs. Police & Crime Commissioner		5,759	0	5,759
2,137	Cambridgeshire Fire Authority		1,992	251	2,243
73,604			52,879	25,152	78,031
Apportionment of Previous Year Surplus / (Deficit):					
(126)	Central Government		0	(211)	(211)
40	Fenland District Council		110	(169)	(59)
538	Cambridgeshire County Council		437	(38)	399
84	Cambs. Police & Crime Commissioner		69	0	69
29	Cambridgeshire Fire Authority		24	(4)	20
565			640	(422)	218
Charges to Collection Fund:					
124	Cost of Collection Allowance		0	123	123
1,003	Increase in Bad Debts Provision	4	903	247	1,150
(300)	Increase/(Reduction) in Provision for Appeals	5	0	2,129	2,129
222	Reconciliation Adjustment		0	302	302
1,049			903	2,801	3,704
75,218	Total Expenditure		54,422	27,531	81,953
(1,013)	(Surplus)/Deficit for the Year		485	1,750	2,235
COLLECTION FUND BALANCE					
(636)	(Surplus)/Deficit b/fwd at 1 April		(985)	(664)	(1,649)
(1,013)	(Surplus)/Deficit for the year (as above)		485	1,750	2,235
(1,649)	(Surplus)/Deficit c/fwd at 31 March	6	(500)	1,086	586

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 28,979 in 2018/19 (2017/18: 28,397). The increase in Council Tax base in 2018/19 is a result of a combination of new builds and changes to the Council Tax Reduction Scheme approved by Council at its meeting on 14 December 2017.

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 £1,824.74 for 2018/19 compared to £1,743.75 for 2017/18) 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	7,490
Band B	7	7,505
Band C	8	6,502
Band D	9	4,033
Band E	11	2,408
Band F	13	780
Band G	15	235
Band H	18	26
		<hr/> 28,979 <hr/>

Income receivable from Council Tax payers in 2018/19 was £53.937m (£50.893m in 2017/18)

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 2018/19 were estimated before the start of the financial year as £12.576m to Central Government, £2.264m to Cambridgeshire County Council, £0.251m to Cambridgeshire Fire Authority and £10.061m to Fenland Council. These sums have been paid in 2018/19 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 and 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 £5.798m in 2018/19 (£5.629m in 2017/18) 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 charged to the Collection Fund for 2018/19 has been calculated at £2.129m.

The total NNDR income due (including transitional protection) from business ratepayers for 2018/19 was £25.781m (2017/18 £25.338m). The local non-domestic rateable value at 31 March 2019 was £66,747,143 (£66,741,145 at 31 March 2018). The national multipliers for 2018/19 were 48.0p for qualifying Small Businesses and a standard multiplier of 49.4p for all other businesses (46.6p and 47.9p respectively in 2017/18).

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 - 2017), not allowed for when the scheme was set. The levy is set at 50% of the growth above the baseline level and for 2018/19, a levy payment of £468,268 (£943,717 in 2017/18) is due to Central Government and this has been charged to the General Fund.

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

2017/18 £000		2018/19 £000
1,271	Balance at 1 April	1,781
(85)	Write-offs during year for previous years	(181)
595	Increase in provision during year	903
1,781	Balance at 31 March	2,503

The Council's proportion of this provision at 31 March 2019 is £401,703 (£300,043 at 31 March 2018).

Non- Domestic Rates Bad Debts Provision

2017/18 £000		2018/19 £000
726	Balance at 1 April	965
(169)	Write-offs during year for previous years	(71)
408	Increase in provision during year	247
965	Balance at 31 March	1,141

The Council's proportion of this provision at 31 March 2019 is £456,282 (£385,984 at 31 March 2018).

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 has not been settled as at 31 March 2019.

2017/18 £000		2018/19 £000
2,603	Balance at 1 April	1,732
(571)	Write-offs during year for previous years	(1,109)
(300)	Increase/(Reduction) in provision during year	2,129
1,732	Balance at 31 March	2,752

The Council's proportion of this provision at 31 March 2019 is £1,100,644 (£692,647 at 31 March 2018).

6. DEFICIT/ (SURPLUS) ON COLLECTION FUND

Council Tax Collection Fund

The surplus of £500,124 at 31 March 2019 (£984,926 surplus at 31 March 2018), 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 (£83,074) is reported within the Collection Fund Adjustment Account.

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

	31 March 2019	31 March 2018
	£000	£000
Fenland District Council	(83)	(168)
Cambridgeshire County Council	(343)	(673)
Cambridgeshire Police & Crime Commissioner	(55)	(106)
Cambridgeshire Fire Authority	(19)	(38)
Total (Surplus) /Deficit	(500)	(985)

Non-Domestic Rates Collection Fund

The deficit of £1,086,132 at 31 March 2019 (surplus of £663,754 at 31 March 2018), which related to Business Rates, will be reimbursed in subsequent financial years by 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 deficit (£434,453) is reported within the Collection Fund Adjustment Account.

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

	31 March 2019	31 March 2018
	£000	£000
Fenland District Council	434	(265)
Cambridgeshire County Council	98	(60)
Cambridgeshire Fire Authority	11	(7)
Central Government	543	(332)
Total (Surplus)/Deficit	1,086	(664)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FENLAND DISTRICT COUNCIL

TO BE ADDED IN FINAL AUDITED AND PUBLISHED VERSION OF THE STATEMENTS

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 arm's length transaction.

FINANCE LEASE

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

FINANCIAL ASSET

A right to future economic benefits controlled by the Council. Examples include bank deposits, investments, trade 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 Occupations
IFRS	International Financial Reporting Standard
IiP	Investors in People
IMD	Index of Multiple Deprivations
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, Fenland Hall, County Road, March, Cambridgeshire, PE15 8NQ
telephone: 01354 654321 textphone: 01354 622213 website: fenland.gov.uk

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.