

# **CAMBRIDGESHIRE COUNTY COUNCIL SUMMARY STATEMENT OF ACCOUNTS 2013-14**

# EXPLANATORY FOREWORD

---

## STATEMENT OF ACCOUNTS

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise the '*Code of Practice on Local Authority Accounting in the United Kingdom 2012-13*', supported by *International Financial Reporting Standards (IFRS)*.

The purpose of the Council's published Statement of Accounts is to give interested parties – including electors, those subject to locally levied taxes and charges, Council members and employees – clear information about the Council's finances. It also allows the accounts to be comparable with other local authority accounts.

**This summary Statement of Accounts is derived from the audited version but has not itself been audited.**

A full version of the audited 2013-14 Statement of Accounts can be viewed at the following link:

[2013-14 Statement of Accounts](#)

## FURTHER INFORMATION

Further information about the Statement of Accounts can be obtained from Corporate Finance:

Address: OCT1114, Shire Hall,  
Castle Hill, Cambridge,  
CB3 0AP

Telephone: 01223 715333

Email: [corporate.finance@cambridgeshire.gov.uk](mailto:corporate.finance@cambridgeshire.gov.uk)

## EXPLANATORY FOREWORD

---

### ***'Making Cambridgeshire a great place to call home'***

#### **OUR PRIORITIES**

Like all Councils across the country we are facing massive financial challenges. We are required to make yet more significant cuts to our services – cuts that will inevitably impact on the services that are provided to our communities.

We have already made substantial savings over the last three years. 2014-15 will require us to find a further £38.2m, largely due to inflation and demographic pressures. To date we have balanced our finances while investing in areas our residents prioritise. This has meant some hard choices and being innovative about the way we deliver services.

Our vision has remained the same – to make Cambridgeshire a great place to call home. As a result, the Council's priorities remain as:

- **Developing the local economy for the benefit of all**
- **Helping people live healthy and independent lives**
- **Supporting and protect vulnerable people.**

For more details about how we will achieve this, please see the Council's *2014-15 Business Plan* at:

[http://www.cambridgeshire.gov.uk/info/20043/finance\\_and\\_budget/90/business\\_plan\\_2014\\_to\\_2015](http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015)



# EXPLANATORY FOREWORD

---

## OUR PERFORMANCE

The performance of the Council is monitored by its Cabinet using a monthly Integrated Resources and Performance Report, which combines financial reporting with performance reporting. You can view the most recent copies of these reports on our website using the following link to the agendas, minutes and reports of the latest committee meetings:

[http://www.cambridgeshire.gov.uk/info/20146/council\\_meetings](http://www.cambridgeshire.gov.uk/info/20146/council_meetings)

Cambridgeshire County Council plays a pivotal role in countywide partnerships that bring together public, private and voluntary sector organisations in Cambridgeshire. These include Cambridgeshire's Children's Trust and the Health and Wellbeing Board. You can find out more information about the work of these groups on our website using the following links:

<http://www.cambridgeshire.gov.uk/CMSWebsite/Apps/Committees/Committee.aspx?committeeID=70>

<http://www.cambridgeshire.gov.uk/CMSWebsite/Apps/Committees/Committee.aspx?committeeID=29>

## OVERVIEW OF THE YEAR

### Revenue spending on services

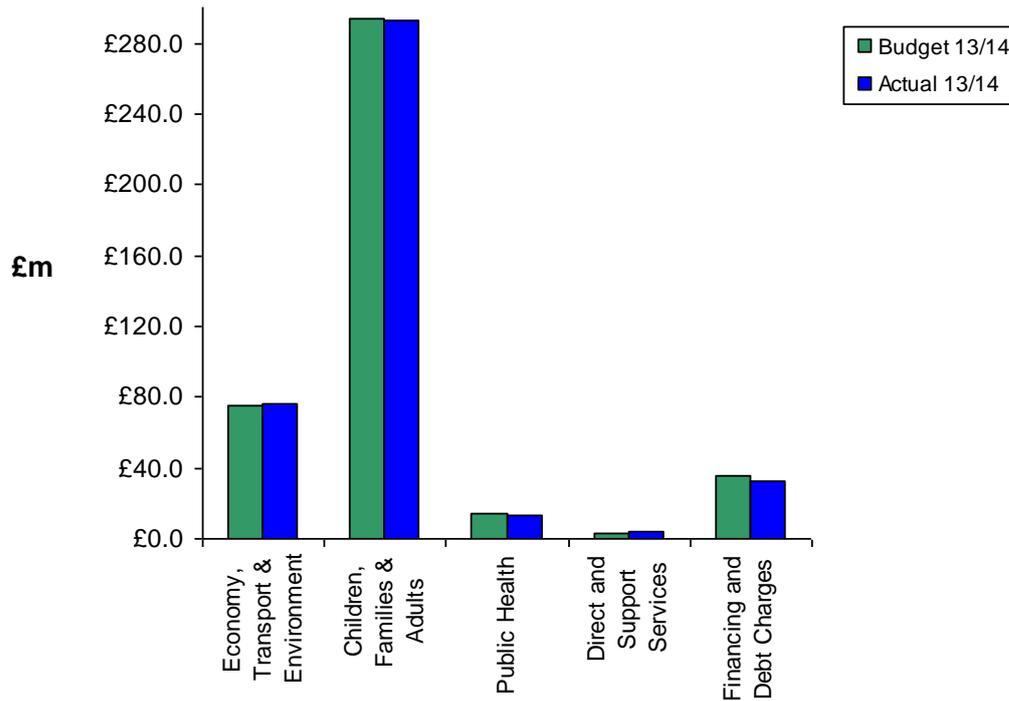
The Council's net cost of services for 2013-14 was £413.9m. This figure was £5.8m lower than the net expenditure for the year of £419.7m that was reported to the General Purposes Committee within the Outturn Integrated Resources and Performance Report in May. The reason for this is that the Statement of Accounts is prepared on a different accounting basis to those reports presented to members for resource allocation decisions, and takes account of charges for items such as capital expenditure and variations in the accounting for retirement benefits.

The chart below is based on the spending of the year of £419.7m and outlines how much we spent by service area compared to budget:

# EXPLANATORY FOREWORD

Budget and expenditure by service area £m (see note 23)

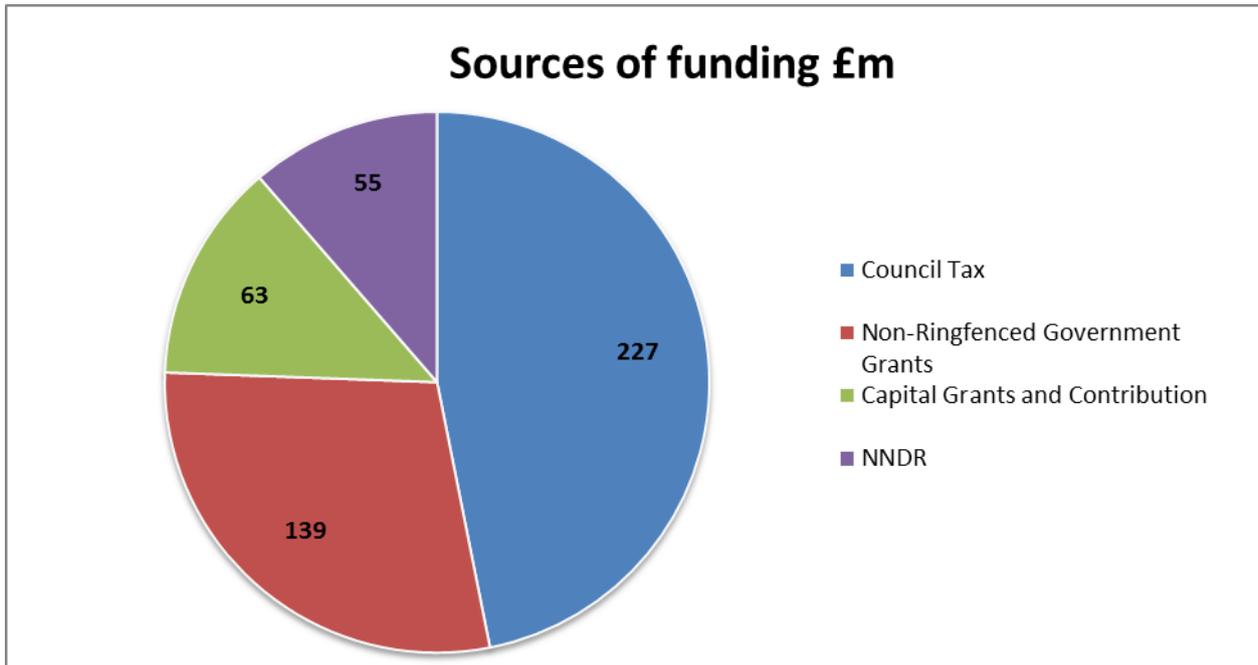
## Budget and Expenditure by Service Area £m



\* - Direct and Support Services includes LGSS Cambridge Office

The Council's net budget is mainly financed through council tax, business rates and government grant, as shown below:

## EXPLANATORY FOREWORD



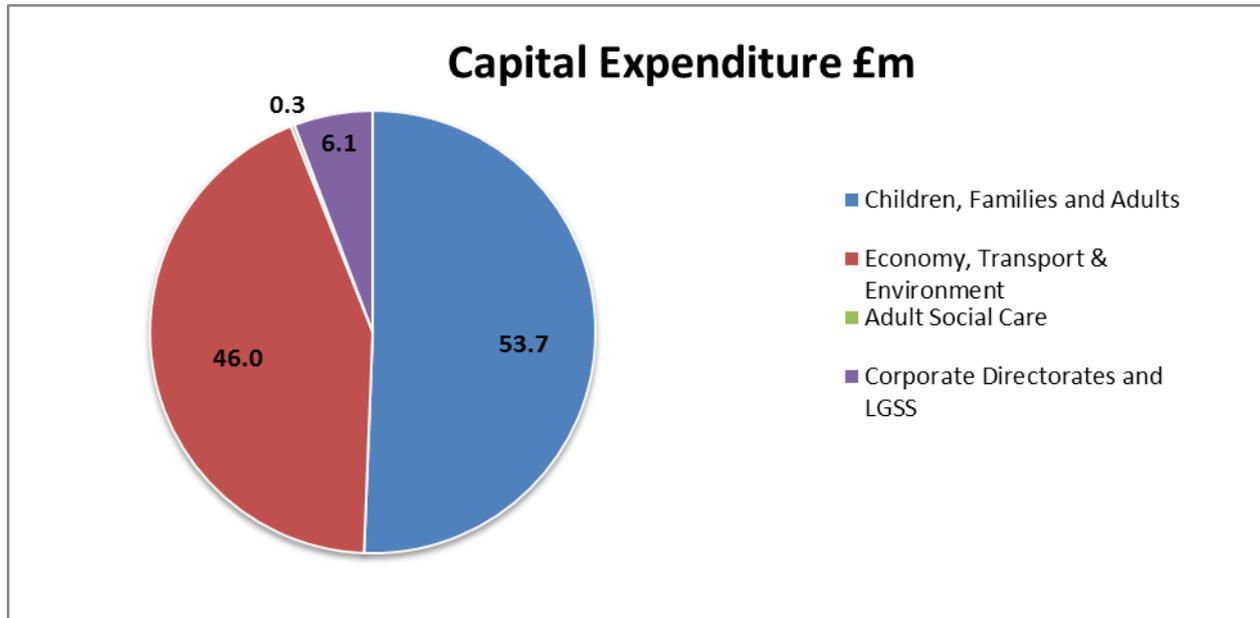
- **Non-ringfenced government grants** is the Revenue Support Grant, plus other general grants, paid by Central Government to aid local authority spending.
- **National Non-Domestic Rates** are collected from businesses on behalf of the Council by billing authorities. A proportion is then received directly from those billing authorities, with a further proportion received and pooled by Central Government and then redistributed to councils on a formula basis.

The Council's gross income also includes specific government grants, charges from fees, income from sales, and partnership funding from other public sector bodies. The scale of this income is outlined in the Comprehensive Income and Expenditure Statement.

### Capital spending and financing

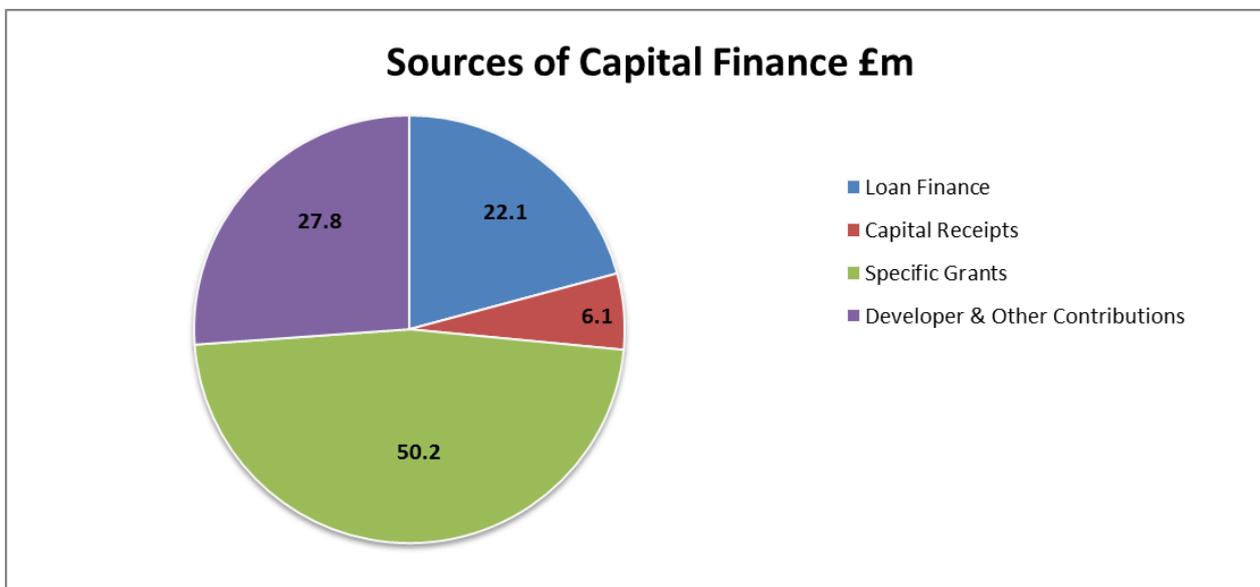
The Council's revised capital budget for the year was £168.2m. Actual capital expenditure financed from capital resources for the year was £106.1m, leaving some £62.1m of the revised capital budget unspent at the year end. However, it must be noted that this was largely due to the timing of spending and does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not occurred as quickly as anticipated. The chart below outlines the investments made during the financial year (in millions of pounds):

## EXPLANATORY FOREWORD



The cost of borrowing has been factored into the 2013-14 debt charges outturn position, as well as being accounted for within the 2014-15 Business Planning process.

The following chart outlines how capital expenditure was financed this year (in millions of pounds):



Loan finance is undertaken through borrowing, where the Council subsequently meets interest and repayment costs from its own resources.

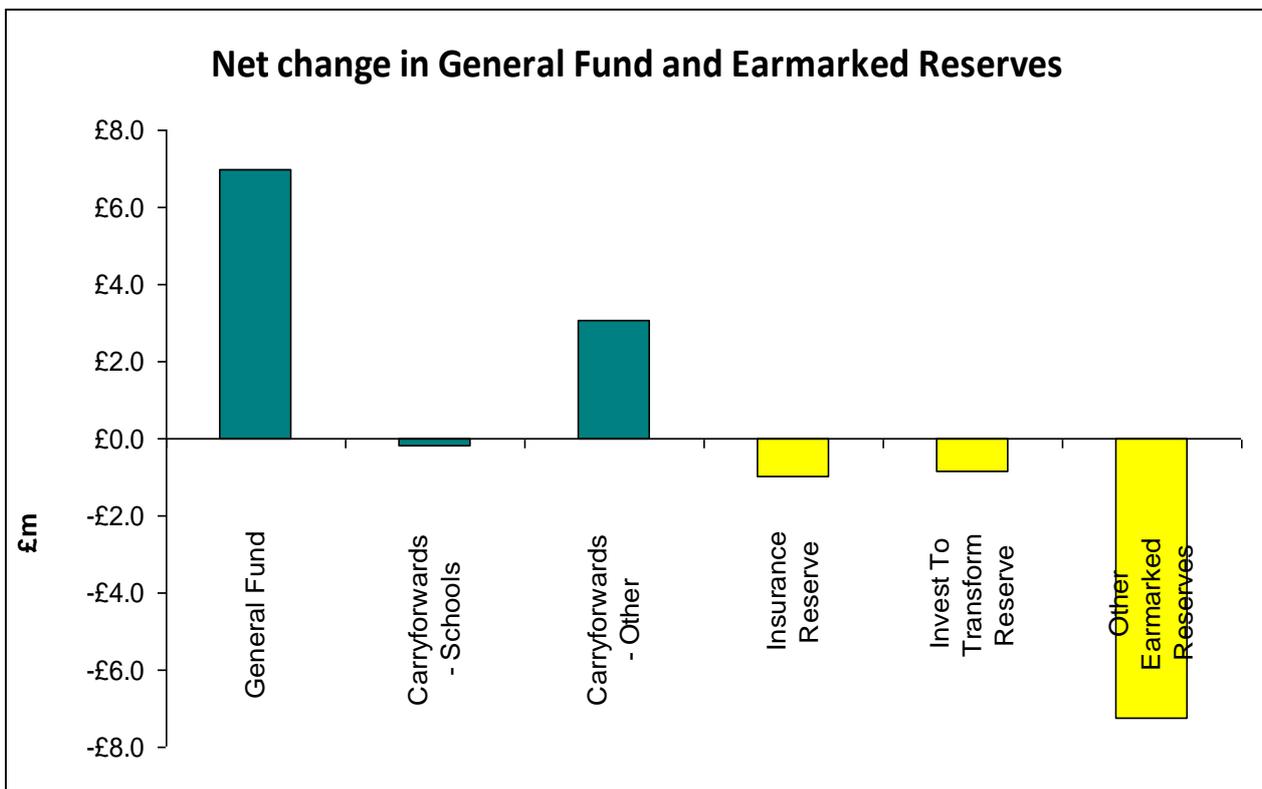
## EXPLANATORY FOREWORD

### Reserves

The Council's total reserves have decreased in-year by £60.5m, to £770.4m, by the 31 March 2014. This balance comprises £82.6m (10.7%) of 'Usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £687.8m (89.3%) of 'Unusable' reserves (those that an authority is not able to utilise to provide services).

A proportion of the Council's usable reserves (specifically the General Fund and Earmarked Reserves) provide the organisation with vital flexibility when faced with uncertainty and risk. At 31 March 2014, these reserves stood at £66.4m. Of this balance, the General Fund comprised £12.3m (2.9% of the net 2013-14 budget) and reserves earmarked for specific purposes totalled £54.1m, including £22.5m under the control of locally managed schools and £4.1m to cover insurance risks.

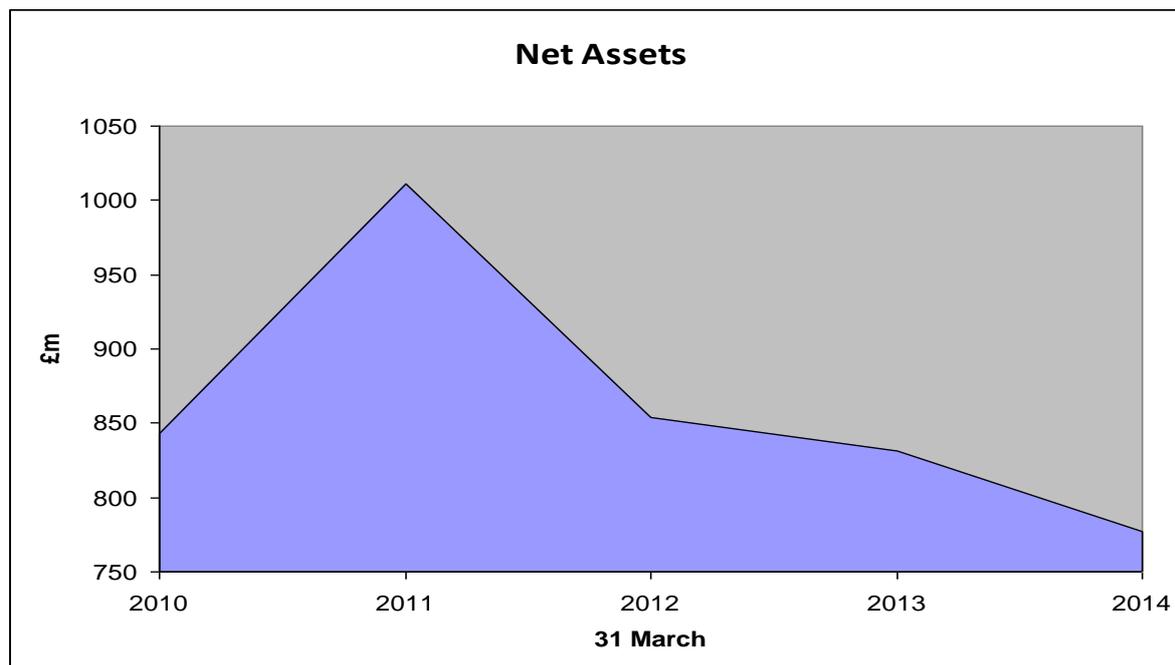
The following chart shows the 'net' change (contribution to and from) in these types of reserves:



### Assets and liabilities

During 2013-14 the net assets of the Council, and therefore its Balance Sheet value, decreased by £60.5m (7.3%). The material items which caused this net decrease include a £40m reduction in the net book value of the Council's property assets, plus a worsening of the working capital position (net current assets). In addition, finance lease liabilities relating to the Council's Private Finance Initiative projects increased by £7.8m and long term borrowing rose by £5.1m.

## EXPLANATORY FOREWORD



The Council had an increased cash and cash equivalents, position in the year of £19.5m. The balance at the 31 March 2014 stood at £42.2m. However, it should be noted that this does not represent the actual balance on the Council's accounts at the bank, but the book balance taking timing differences into account. The cash in current accounts is maintained at +/- £2 million, through use of temporary loans and deposits.

### External borrowing and investment

Total debt outstanding at the year-end was £382.6m, well within the maximum limit determined in accordance with legislation of £563m. There was a net increase of £5.1m in long-term loans in the year and a net decrease of £0.2m in short term loans. New loans were raised to fund the capital programme and working capital commitments.

Cash surpluses occurring during the year have been invested in accordance with guidance issued by the Government and the Council's agreed Treasury Management Strategy. The primary objective is to ensure that funds are invested prudently, with priority given to security and risk minimisation.

# EXPLANATORY FOREWORD

## KEY PROJECTS AND ACTIVITIES

### Academy Conversions

Since 2010 Central Government has promoted academy schools which have greater autonomy and receive their funding directly from Central Government rather than through the local authority.

By 31 March 2013, 42 schools had converted to academy status and 15 further schools had converted during 2013-14. All but two of the Cambridgeshire secondary schools are now Academies – of the two left, one is a Foundation School and the other is a Free School.

Although over 180 schools remain 'grant maintained' by the Council, the conversion of schools in 2013-14 means a sizeable proportion of school spending, assets and workforce are no longer reported as part of the Council's accounts. Academies produce their own financial statements.

### Connecting Cambridgeshire

The Connecting Cambridgeshire programme is set to improve broadband provision across Cambridgeshire and Peterborough. Its aim is to provide at least 90% of homes and businesses with access to superfast broadband with speeds of at least 24 Mbps and to provide better broadband connectivity for all remaining premises by 2015.

In March 2013 following a competitive selection process Cambridgeshire County Council signed a contract with BT who will contribute £16 million to the £45 million project to roll out superfast broadband over the next 3 years.

The first phase of the broadband roll-out is close to completion with 90 new fibre cabinets going live providing superfast broadband access for over 20,000 premises. The second phase of the roll-out runs from June to September 2014 and will see the programme reach over a third of its final target of 90,000-plus premises.



### Waste PFI

On 17 March 2008, the Council contracted with Ameycespa WM (East) Limited (formerly Donarbon Waste Management Limited) to provide waste treatment and household waste facilities for the County. At the time the contract was signed, the total estimated contract

## EXPLANATORY FOREWORD

---

payments were £730m over the 28-year contract period (termination due in 2036). An element of this payment related to financing the construction of a Mechanical Biological Treatment (MBT) plant, with a total cost of £42m. The purpose of the plant was to reduce the waste being sent to landfill and consequently reduce costs to the County Council.



### Cambridge Science Park Station

In November 2012 a public consultation was undertaken on construction of a rail station located in the north of Cambridge. It highlighted that 89% of responses were in favour of the station in principle. The new railway station will provide access to the rail network from the north Cambridge area without the need to travel through the city centre.

It will include connection facilities for public transport, such as the Busway. Therefore it will also make the station accessible for those living in Huntingdon, St Ives, Swavesey and Histon, as well as providing a rapid transport link for the new Northstowe development.

It will give people an opportunity to take the train to the north Cambridge area and avoid driving along the congested A14 and A10 and will provide a much needed link to some of Cambridge's main business areas, including the Science Park, St John's Innovation Centre and Cambridge Business Park. This will make the north Cambridge area an even more attractive place for businesses to grow and locate, helping to boost the local economy.

In December 2013 planning permission for the Cambridge Science Park Station Interchange was granted and £6m was secured from Department for Transport for the advanced delivery of enabling works including the extension of the Busway, cycle improvements on Cowley Road, and other pedestrian and cycle connections.

Following the Council's lead on the development phase of the project, Network Rail and the Department for Transport have now taken over full responsibility for the delivery phase of the scheme including the detailed design and construction of the works on the Chesterton sidings

## EXPLANATORY FOREWORD

site by May 2016. The Council will be delivering the enabling and access works by the end of March 2015.



### Cambridge City Deal

As part of the 2014 Budget in March, Central Government announced their agreement for a Greater Cambridge City Deal, which will deliver a step change in investment capability; a higher rate of growth in jobs and homes with benefits for the whole County and the wider LEP area. The agreements will provide a grant of up to £500 million for new transport schemes. However, only £100 million of funding is initially guaranteed with the remaining funding dependent on the achievement of certain triggers, with two further tranches of funding, in the region of £200m each, becoming available in April 2020 and April 2025. The Deal was signed on 19 June 2014.

The Council worked closely with Cambridge City Council, South Cambridgeshire District Council, Cambridge University and the Greater Cambridge and Greater Peterborough Local Enterprise Partnership (LEP) to negotiate the deal. One result of the announcement will be a changed set of governance structures to pool funding and powers; initially through a joint committee with the intention of moving to a Combined Authority should legislation be changed to allow for this. This will enable the delivery of a more joined-up and efficient approach to the key economic issues facing the region.

### Making Assets Count Programme

The Making Assets Count (MAC) programme is one of the key partnerships in relation to the overarching Capital Strategy, and allows all public sector partners to effectively collaborate on strategic asset management and rationalise the combined operational property estate within the County.

MAC projects include the delivery of a Joint Operations Centre for public sector partners in the south of Cambridgeshire (co-locating highway, ground and housing maintenance, fleet service

## EXPLANATORY FOREWORD

---

and vehicle storage operations services) and creation of a public property partnership joint venture to deliver property-related benefits in key market towns.

### Public Health Reform

On 1 April 2013 Public Health staff and services were transferred from primary care trusts (PCTs) to local authorities. The Public Health Service is concerned with understanding the health, wellbeing and care needs of our local communities and ensuring that 'health inequalities' are tackled by improving the health of the poorest members of our community. The primary aims are to ensure action is taken to protect the health of the public; prevent ill-health; promote healthy lifestyles and provide advice on commissioning of health and care services to meet population needs.

To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant. For Cambridgeshire in 2013-14 this was worth £21.2 million.

### Pensions

The accounts reflect the underlying commitment that the Council has to pay future retirement benefits for its employees. This information has been compiled by the Fund's actuary in accordance with the International Accounting Standard 19 Employee Benefits (IAS 19 (Revised 2011)).

The triennial formal valuation of the Fund was carried out as at the 31 March 2013. Following this, the estimated pension deficit for the Council, measured on an actuarial basis, has decreased from £440m at 1 April 2013 to £438m at 31 March 2014. Financial assumptions at 31 March 2014 were less favourable than they were at 31 March 2013, resulting in an increase to the value of the Fund's liabilities. However, actual investment return on the Fund's assets during 2013-14 was 7.2%, which was higher than the typical expected asset return at the start of the year. Overall, this combination of higher than expected investment returns, partially offset by worsening financial assumptions, has resulted in a small decrease in the deficit amount. This deficit will be managed by increased employer contributions over the remaining working life of employees, as assessed by the actuary.

### LGSS

LGSS is the shared back office operation created by Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) in October 2010. It provides a wide range of strategic, professional, operational and transactional services including Finance, Property, Pensions, Legal, Procurement, Audit, HR, IT and Transactional Financial Services.

It is governed by a Joint Committee with the financial transactions of each shareholder county included in the respective county's statutory accounts. For the financial year 2013-14, LGSS has prepared a separate Annual Report (Statement of Accounts and Annual Governance Statement) for the first time, which will be audited by the appointed independent auditor of NCC.

## EXPLANATORY FOREWORD

The LGSS overall performance for 2013-14 is summarised below:

	2013-14 Budget £000	2013-14 Expenditure £000	2013-14 Variance £000
Northampton Office	14,348	13,344	-1,004
Cambridge Office	11,721	10,716	-1,005
<b>Total</b>	<b>*26,069</b>	<b>24,060</b>	<b>-2,009</b>

\*The 2013-14 budget figure comprises the net LGSS budget of £25,423k plus £646k in respect of a year end insurance recharge

All surpluses and deficits after any retained earnings re-invested by LGSS are shared on a 50:50 arrangement via a dividend to each of the host authorities.

See [note 31](#) (page 84) for further information.



### FUTURE CHALLENGES

Looking forward, cost pressures are forecast to outstrip available resources, given the rising costs caused by inflation, growth and associated demographic pressures combined with reduced levels of funding. Consequently, the Council needs to make significant savings to close the budget gap.

Achieving these savings over the next five years has meant making tough decisions on which services to prioritise. During the last few years services have made significant savings through increasing efficiency and targeting areas that are not our highest priority with the aim of minimising the impact on our service users. With no respite from the continuing cuts to our funding, we have entered an environment where any further efficiencies are not sufficient to cover the budget deficit. We must accept therefore that service reductions are inevitable.

## EXPLANATORY FOREWORD

The following table illustrates the current size of the challenge that lies ahead (as presented at General Purposes Committee on the 9 September 2014), as it sets out the latest annual savings requirement:

	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
<b>Total Savings Requirement For The Year</b>	<b>35,919</b>	<b>33,300</b>	<b>24,820</b>	<b>21,724</b>	<b>9,761</b>	<b>125,524</b>
2015-16 Ongoing Savings		35,919	35,919	35,919	35,919	
2016-17 Ongoing Savings			33,300	33,300	33,300	
2017-18 Ongoing Savings				24,820	24,820	
2018-19 Ongoing Savings					21,724	
<b>Total Savings For The Year (Including Ongoing Savings)</b>		<b>69,212</b>	<b>94,039</b>	<b>115,763</b>	<b>125,524</b>	
<b>Cumulative Savings Requirement</b>	<b>35,919</b>	<b>105,138</b>	<b>199,177</b>	<b>314,940</b>	<b>440,464</b>	

### CONCLUSION

I am extremely grateful to all the finance staff across the Council, and for those within service directorates, for the support and enthusiasm that they have brought to the many and challenging tasks they have faced, and who have worked hard to close the accounts to a demanding timescale.

Chris Malyon  
Chief Finance Officer (Section 151 Officer)  
23 September 2014

## MOVEMENT IN RESERVES STATEMENT

	General Fund <sup>1</sup>	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied <sup>2</sup>	Usable Reserves Total <sup>1</sup>	Unusable Reserves Total <sup>1</sup>	Reserves Total
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1-Apr-12</b>	<b>3,451</b>	<b>59,671</b>	<b>1,443</b>	<b>25,918</b>	<b>90,483</b>	<b>763,276</b>	<b>853,759</b>
Restated movement in 2012-13:							
<a href="#">Deficit on the provision of services</a>	-27,801	-	-	-	-27,801	-	-27,801
<a href="#">Other comprehensive income and expenditure</a>	-	-	-	-	-	4,968	4,968
<b>Total comprehensive income and expenditure</b>	<b>-27,801</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-27,801</b>	<b>4,968</b>	<b>-22,833</b>
<a href="#">Adjustments between accounting and funding basis under regulations (note 7)</a>	30,261	-	3	-233	30,031	-30,031	-
<b>Increase/ decrease (-) before transfers to earmarked reserves</b>	<b>2,460</b>	<b>-</b>	<b>3</b>	<b>-233</b>	<b>2,230</b>	<b>-25,063</b>	<b>-22,833</b>
<a href="#">Transfers to earmarked reserves (note 8)</a>	-547	547	-	-	-	-	-
<b>Increase/ decrease (-) in 2012-13</b>	<b>1,913</b>	<b>547</b>	<b>3</b>	<b>-233</b>	<b>2,230</b>	<b>-25,063</b>	<b>-22,833</b>
<b>Balance at 31-Mar-13</b>	<b>5,364</b>	<b>60,218</b>	<b>1,446</b>	<b>25,685</b>	<b>92,713</b>	<b>738,213</b>	<b>830,926</b>
Movement in 2013-14:							
<a href="#">Deficit on the provision of services</a>	-105,616	-	-	-	-105,616	-	-105,616
<a href="#">Other comprehensive income and expenditure</a>	-	-	-	-	-	45,101	45,101
<b>Total comprehensive income and expenditure</b>	<b>-105,616</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-105,616</b>	<b>45,101</b>	<b>-60,515</b>
<a href="#">Adjustments between accounting and funding basis under regulations (note 7)</a>	106,423	-	-7	-10,883	95,533	-95,533	-
<b>Increase/ decrease (-) before transfers to earmarked reserves</b>	<b>807</b>	<b>-</b>	<b>-7</b>	<b>-10,883</b>	<b>-10,083</b>	<b>-50,432</b>	<b>-60,515</b>
<a href="#">Transfers from earmarked reserves (note 8)</a>	6,165	-6,165	-	-	-	-	-
<b>Increase/ decrease (-) in 2013-14</b>	<b>6,972</b>	<b>-6,165</b>	<b>-7</b>	<b>-10,883</b>	<b>-10,083</b>	<b>-50,432</b>	<b>-60,515</b>
<b>Balance at 31-Mar-14</b>	<b>12,336</b>	<b>54,053</b>	<b>1,439</b>	<b>14,802</b>	<b>82,630</b>	<b>687,781</b>	<b>770,411</b>

<sup>1</sup>Restated for IAS19 (Revised 2011) adjustments

<sup>2</sup>This reserve also includes Capital Contributions Unapplied

This statement shows the reserves held by the Council, analysed into 'usable' and 'unusable'. The 'Deficit on the provision of services line' shows the true cost of providing services, which are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Increase/ decrease before transfers to/ from earmarked reserves' line shows the General Fund Balance before discretionary transfers.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2012-13				2013-14		
Gross Expenditure	Gross Income	Net Expenditure/Income (-)		Gross Expenditure	Gross Income	Net Expenditure/Income (-)
£000	£000	£000		£000	£000	£000
2,757	-1,156	1,601	Central services to the public	2,874	-1,207	1,667
11,263	-1,070	10,193	Culture and related services	11,469	-1,174	10,295
47,169	-4,602	42,567	Environment and regulatory services	28,234	-5,519	22,715
5,618	-2,493	3,125	Planning services	7,363	-3,574	3,789
451,729	-309,273	142,456	Education and children's services	446,013	-301,088	144,925
76,560	-14,598	61,962	Highways and transport services	58,716	-8,648	50,068
213,980	-40,669	173,311	Adult social care	206,820	-44,214	162,606
11,962	-16,128	-4,166	Corporate and democratic core	21,313	-14,887	6,426
-4,386	-194	-4,580	Non distributed costs	-1,880	-191	-2,071
-	-	-	Public Health	13,573	-140	13,433
<b>816,652</b>	<b>-390,183</b>	<b>426,469</b>	<b>Cost Of Services</b>	<b>794,495</b>	<b>-380,642</b>	<b>413,853</b>
<sup>2</sup> 43,217	-	43,217	Other operating expenditure (note 9)	114,291	-	114,291
<sup>1,2</sup> 40,478	-655	39,823	Financing and investment income and expenditure (note 10)	44,072	-641	43,431
-	-481,708	-481,708	Taxation and Non-Specific Grant Income (note 11)	-	-465,959	-465,959
		<b>27,801</b>	<b>Deficit on Provision of Services</b>			<b>105,616</b>
		<b>-49,185</b>	Surplus on revaluation of long-term assets			<b>-33,848</b>
		<b>2,043</b>	Impairment losses charged to the Revaluation Reserve			<b>10,155</b>
		<sup>1</sup> 42,174	Remeasurement of net defined benefit/ liability			<b>-21,408</b>
		<b>-4,968</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-45,101</b>
		<b>22,833</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>60,515</b>

<sup>1</sup>Restated for IAS19 (Revised 2011) adjustments

<sup>2</sup>Restated to present trading unit results in accordance with 13-14 Code of Practice.

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

# BALANCE SHEET AS AT 31 MARCH 2014

31-Mar-13 £000		Note	31-Mar-14 £000
1,757,275	Property, Plant and Equipment	<a href="#">12</a>	1,717,492
20,708	Heritage Assets	<a href="#">13</a>	20,715
4,106	Long Term Receivables	<a href="#">14</a>	3,569
<b>1,782,089</b>	<b>Long Term Assets</b>		<b>1,741,776</b>
422	Assets Held for Sale	<a href="#">16</a>	1,100
392	Inventories		736
86,902	Short Term Receivables	<a href="#">17</a>	70,154
22,543	Cash and Cash Equivalents	<a href="#">18</a>	43,930
<b>110,259</b>	<b>Current Assets</b>		<b>115,920</b>
-3,061	Cash and Cash Equivalents	<a href="#">18</a>	-1,681
-3,675	Short Term Borrowing	<a href="#">15</a>	-3,514
-100,388	Short Term Payables	<a href="#">19</a>	-119,893
-5,647	Provisions	<a href="#">20</a>	-4,535
-24,131	Capital Grants and Contributions Receipts in Advance	<a href="#">30</a>	-17,405
<b>-136,902</b>	<b>Current Liabilities</b>		<b>-147,028</b>
-4,721	Provisions	<a href="#">20</a>	-4,718
-374,022	Long Term Borrowing	<a href="#">15</a>	-379,125
-532,809	Other Long Term Liabilities		-539,779
-12,968	Capital Grants and Contributions Receipts in Advance	<a href="#">30</a>	-16,635
<b>-924,520</b>	<b>Long Term Liabilities</b>		<b>-940,257</b>
<b>830,926</b>	<b>Net Assets</b>		<b>770,411</b>
92,713	Usable Reserves	<a href="#">21</a>	82,630
738,213	Unusable Reserves	<a href="#">22</a>	687,781
<b>830,926</b>	<b>Total Reserves</b>		<b>770,411</b>

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the level of reserves held by the Council. 'Usable' reserves are those reserves that may be used 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). 'Unusable' reserves are those that are not able to be used to provide services and include those that hold unrealised gains and losses (i.e. Revaluation Reserve), where amounts only become available to use if assets are sold; and reserves that hold timing differences.



Chris Malyon (Chief Finance Officer)  
Date: 23 September 2014

# CASH FLOW STATEMENT

<sup>2</sup> Restated 2012-13 £000		2013-14 £000
<b>27,801</b>	<b>Net deficit on the provision of services</b>	<b>105,616</b>
-40,658	Depreciation	-35,189
-29,096	Impairment and downward valuations	6,528
42	Increase in impairment for bad debts <sup>1</sup>	1,012
26,572	Increase (-)/ decrease in payables	-20,701
9,745	Increase/ decrease (-) in receivables	-17,760
-360	Increase/ decrease (-) in inventories	344
5,565	Movement in pension liability	19,359
-51,982	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-119,998
-52,672	Other non-cash items charged to the deficit on the provision of services	-2,236
<b>-132,844</b>	<b>Adjustments to the net deficit on the provision of services for non-cash movements:</b>	<b>-168,641</b>
9,130	Proceeds from the sale of property, plant and equipment	6,079
74,491	Any other items for which the cash effects are investing or financing cash flows	23,977
<b>83,621</b>	<b>Adjustments for items included in the deficit on the provision of services that are investing and financing activities</b>	<b>30,056</b>
<b>-21,422</b>	<b>Net cash flows from Operating Activities</b>	<b>-32,969</b>
133,051	Purchase of property, plant and equipment	85,373
-9,130	Proceeds from the sale of property, plant and equipment	-6,079
-76,973	Other receipts from investing activities	-56,422
<b>46,948</b>	<b>Investing Activities</b>	<b>22,872</b>
-27,773	Cash receipts of short and long-term borrowing	-36,831
-9,849	Other receipts from financing activities	-7,728
9	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	-
28,401	Repayments of short and long-term borrowing	31,889
<b>-9,212</b>	<b>Financing Activities</b>	<b>-12,670</b>
<b>16,314</b>	<b>Net increase (-)/ decrease in cash and cash equivalents</b>	<b>-22,767</b>
35,796	Cash and cash equivalents at the beginning of the reporting year	19,482
<b>19,482</b>	<b>Cash and cash equivalents at the end of the reporting year (note 18)</b>	<b>42,249</b>

<sup>1</sup>The increase in impairment for bad debts is due to a change in process, resulting from a more prudent provision for Adult Social Care debt.

<sup>2</sup>Restated for IAS19 (Revised 2011) adjustments

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting year. 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 local 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.

## NOTES TO THE STATEMENT OF ACCOUNTS

---

### INCOME AND EXPENDITURE COMPARISONS - KEY POINTS:

- The reduction in 'Education and Children's Services' gross expenditure in 2013-14 is primarily due to a reduction in the costs associated with related fixed assets, such as the depreciation of property and impairments, as a result of a reduced asset portfolio following academy transfers in 2012-13. The reduction in income between 2012-13 and 2013-14 is due to changes in grants received from government due to the increasing number of school conversions from maintained to academy status.
- The reduction in 'Adult Social Care' net expenditure has fallen due to budgeted reductions in service spending and an increase in the level of NHS income.
- The decrease in 'Environment and regulatory services' expenditure is a result of the revaluation of the portfolio of Waste PFI assets in 2012-13. This resulted in an impairment of £18.3m on three different land and building assets, which did not recur in 2013-14.
- 'Corporate and Democratic Core' and 'Non-Distributed Costs' are impacted by a variety of technical accounting adjustments including reserve movements, accounting for retirement benefits (pension fund adjustments), debt charges and expenditure relating to fixed assets. The increase this year (excluding exceptional items) represents the overall net change across all of these areas.
- The significant increase in 'Other Operating Expenditure' is the result of an increase in losses on disposal of property assets, primarily relating to the statutory transfer of schools (academies) for zero consideration.
- The increase in the net cost of 'Financing and Investment expenditure' is a result of increased interest costs.
- The net decrease in 'Taxation and Non-Specific Grant Income' reflects a decrease in non-ring-fenced grant income, capital grants and contributions, offset by an increase in council tax and NNDR (National Non-domestic rates) receipts recognised and credited to the Comprehensive Income and Expenditure Statement.
- In 2012-13, the Council incurred an actuarial loss on pension fund assets/ liabilities of £42.2m. In 2013-14, a gain of £21.4m was recorded. This is a result of financial assumptions applied by the actuary, and specifically, the respective impact of those assumptions on the assets and liabilities of the fund being more favourable in 2013-14 than they were in 2012-13.

### ASSETS, LIABILITIES & RESERVES – KEY POINTS:

- The Council's cash and cash equivalents position at the end of 2013-14 increased by £22.8m compared with that at the end of 2012-13; a net positive balance of £19.5m rising to £42.2m. However, it should be noted that this does not represent the actual balance on the Council's accounts at the bank, but the book balance taking timing differences into account.

## NOTES TO THE STATEMENT OF ACCOUNTS

---

The cash in current accounts is maintained at +/- £2 million, through use of temporary loans and deposits.

- Total debt outstanding at the year-end was £382.6m, well within the maximum limit prescribed by legislation of £495m. There was a net increase of £5.1m in long-term loans in the year and a net decrease of £0.1m in short term loans. New loans were raised to fund the capital programme and working capital requirements. Cash surpluses occurring during the year have been invested in accordance with guidance issued by the government and the Council's agreed Treasury Management Strategy. The primary objective is to ensure that funds are invested prudently, with priority given to security and risk minimisation.
- The movements on the pension scheme liability and pensions reserve reflect the requirements of IAS 19 and are as recommended by the Scheme's actuary. These along with increasing liabilities in relation to the Street Lighting and Building Schools for the Future PFI schemes explain the increase in Other Long Term Liabilities.
- The level of the General Fund is managed through Budget Planning with the target of achieving 3% of gross non-schools budget by 31 March 2017. This currently stands at £12.3m (£5.4m 2012-13) representing 2.9% of the gross non-schools budget in 2013-14.
- The decrease in unusable reserves (those that are not able to be used to provide services) is largely a result of the net movement in fixed assets (i.e. additions, revaluations, disposals & impairments).
- During the year the total equity of the Council decreased by £60.5m.

# PENSION FUND

---

## INTRODUCTION

The following comprises the Statement of Accounts for the Cambridgeshire Fund. The accounts cover the financial year from 1 April 2013 to 31 March 2014. In addition to these accounts, a separate Pension Fund Annual Report is also produced and published.

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.

The accounts are set out in the following order:

**Fund Account** which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting year and reconciles the movements in the net assets to the Fund Account.

**Net Assets Statement** which discloses the size and disposition of the net assets of the Fund at the end of the accounting year.

**Review of the year** details key items in the accounts in 2013-14.

# PENSION FUND ACCOUNT

31-Mar-13 £000		31-Mar-14 £000
	<b><u>Dealings with members, employers and others directly involved in the fund:</u></b>	
96,062	Contributions	99,575
4,553	Transfers in from other pension funds	4,249
<b>100,615</b>		<b>103,824</b>
-78,179	Benefits	-87,599
-5,607	Payments to and on account of leavers	-5,514
-2,920	Administration expenses	-2,652
<b>-86,706</b>		<b>-95,765</b>
<b>13,909</b>	<b>Net additions from dealings with members</b>	<b>8,059</b>
	<b><u>Returns on investments:</u></b>	
31,084	Investment income	36,504
-1,899	Taxes on income	-1,803
218,052	Profit and losses on disposal of investments and changes in the market value of investments	115,628
-2,309	Investment expenses	-4,569
<b>244,928</b>	<b>Net returns on investments</b>	<b>145,760</b>
<b>258,837</b>	<b>Net increase in the net assets available for benefits during the year</b>	<b>153,819</b>

## PENSION FUND NET ASSETS STATEMENT

31-Mar-13 £000		31-Mar-14 £000
1,839,403	Investment assets	1,991,232
42,647	Cash deposits	47,259
<b>1,882,050</b>		<b>2,038,491</b>
-2,564	Investment liabilities	-5,311
22,315	Current assets	22,202
5,441	Non current assets	4,053
-3,520	Current liabilities	-1,894
<b>21,672</b>		<b>19,050</b>
<b>1,903,722</b>	<b>Net assets of the fund available to fund benefits at the year end</b>	<b>2,057,541</b>
<b>1,644,885</b>	<b>Opening net assets as at 1 April</b>	<b>1,903,722</b>
258,837	Net increase in the net assets available for benefits during the year	153,819
<b>1,903,722</b>	<b>Closing net assets as at 31 March</b>	<b>2,057,541</b>

## NOTES TO THE PENSION FUND ACCOUNTS

---

### PENSION FUND COMPARISONS - KEY POINTS:

- The rise in “Contributions” of £3.5m in 2013-14 mainly relates to a rise in the overall number of staff at contributing organisations.
- The rise in the “Benefits” in 2013-14 is a result of increases of 15% in Statutory Pensions, and 21.6% in Pension Increases. These rises were partially offset by a fall in 10.7% in Retirement Grants.
- The fall in “profits and losses on disposal of investments and changes in market value of investments” of £103.6m is attributable to a lower increase in the market values of equities and pooled investments compared to 2012-13, which had yielded a particularly high return.
- The rise in “Investment expenses” of £2.3m is largely due to the improved performance of investment managers in 2013-14 compared to 2012-13, with a £1.7m rise (from nil in 2012-13) in performance-related pay.

## GLOSSARY

---

### **ACCRUAL**

An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

### **ACTUARIAL BASIS**

Valuations performed by an actuary relating to a pension scheme's assets and liabilities.

### **ACTUARY**

An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met

### **BALANCE SHEET**

A summary of financial position showing the assets and liabilities recognised by the Council, matched by the level of reserves held.

### **BALANCES**

The accumulated surplus of income over expenditure on the General Fund (see later).

### **BENEFICIAL OWNER**

The true owner of a security regardless of the name in which it is registered.

### **BUDGET**

A statement defining the Council's policy over a specified period expressed in financial terms and including other performance and statistical data.

### **BUILDING SCHOOLS FOR THE FUTURE (BSF)**

A national programme to bring all secondary schools up to modern standards over the next 15-20 years.

### **CAPITAL ADJUSTMENT ACCOUNT**

An account that reflects the difference between the cost of long-term assets consumed and the capital financing set aside to pay for them.

### **CAPITAL FINANCING REQUIREMENT**

A notional amount of debt which determines the Minimum Revenue Provision.

### **CAPITAL GRANTS**

Grants received towards capital spending (see next) on a particular service or project.

### **CAPITAL SPENDING**

Payments made for the acquisition or provision of assets which will be of long-term value to the Council e.g. land, buildings and equipment.

### **CAPITAL RECEIPTS**

Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt.

## GLOSSARY

---

### **CARRY FORWARDS**

Directorates, Schools and Trading Units are permitted/ required to transfer any underspending or overspending into the next financial year.

### **CASH EQUIVALENTS**

Assets which are readily convertible into cash.

### **CORPORATE AND DEMOCRATIC CORE**

Income and expenditure relating to the corporate management and democratic processes of the Council.

### **CREDITS (PFI)**

A measure of private sector investment that will be supported by central government grant and acts as a promise that PFI grant can be claimed once a PFI project is operational.

### **CURRENT ASSETS**

Short-term assets such as inventories, receivables and bank balances.

### **CURRENT LIABILITIES**

Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

### **DEFICIT**

An outcome as a result of taking away all expenses from income.

### **DEPRECIATION**

The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

### **DIVIDEND**

The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

### **EARMARKED RESERVE**

An earmarked reserve is money set aside for a specific purpose.

### **EQUITIES**

Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

### **EVENTS AFTER THE BALANCE SHEET DATE**

Events occurring between the Balance Sheet date and the date on which the Accounts are signed by the Director of Finance, which have a significant impact on the Council's finances.

## GLOSSARY

---

### **FINANCIAL SERVICES AUTHORITY (FSA)**

The lead UK regulator. A designated agency which is not a government department.

### **GENERAL FUND**

The main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met.

### **GOVERNMENT GRANTS**

Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Education or Social Services; or general.

### **HERITAGE ASSETS**

Assets (land, building, or artefact/ exhibit) held principally for their contribution to knowledge or culture.

### **IMPAIRMENT**

A reduction in the value of an asset from its previous value in the accounts.

### **INCOME**

Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, government grants and precept. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that year.

### **INFRASTRUCTURE ASSETS**

Assets such as roads and bridges.

### **INTANGIBLE ASSETS**

Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

### **INVENTORIES**

Goods bought but have not been used.

### **LGSS**

A partnership between Cambridgeshire and Northamptonshire County Councils to create a wholly owned public sector organisation to deliver professional and transactional support services.

### **LONG-TERM ASSETS**

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

## GLOSSARY

---

### MINIMUM REVENUE PROVISION

The minimum amount which must be charged to revenue in the year for the repayment of debt.

### NET BOOK VALUE

The depreciated value of an asset.

### NON-DISTRIBUTED COSTS

Costs that cannot be specifically applied to a service and are held centrally.

### PAYABLES

Amounts owed by the Council for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.

### PENSIONS STRAIN

Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

### POOLED BUDGET

A partnership where participants aggregate funds to work collaboratively to address specific issues.

### PRECEPT

The cash sum levied by one Authority in relation to council tax, which is collected by another (a billing Authority). The County Council is the precepting Authority and the District Councils are the billing authorities, acting as an agent for the Council.

### PRIVATE FINANCE INITIATIVE (PFI)

A form of partnership between the private and public sector which is normally used for high risk / high value contracts for delivering capital assets for the provision of public services. The private sector designs, builds and maintains infrastructure and other capital assets and then operates those assets in return for annual payments to sell services to the public sector.

### PROPERTY, PLANT AND EQUIPMENT

A non-current asset or long-term asset item which cannot easily be converted into cash.

### PROVISION

An amount set aside for liabilities, which are known to exist, but which cannot be definitively measured at the date of the accounts.

### PRUDENTIAL BORROWING

Borrowing which is financed from the Council's own resources and conforms to the prudential.

### RECEIVABLES

Sums of money due to the Council but unpaid at the Balance Sheet date.

### RESERVES

## GLOSSARY

---

Amounts set aside for particular purposes but which do not conform to the definition for provisions. Movements in reserves are not part of service expenditure.

### REVALUATION RESERVE

A reserve for amounts arising from the appreciated value of property; the difference between the former book value of property on the Balance Sheet and the present (revalued) book value of the property. The Revaluation Reserve will record the sum of the net gains (if any) on a property-by-property basis from revaluations made after 1 April 2007.

### REVENUE CONTRIBUTIONS

The shortened form of Revenue Contributions to Capital Outlay (often abbreviated as RCCO). It refers to the financing of capital spending directly from revenue, rather than loan or other sources.

### REVENUE EXPENDITURE

The day-to-day spending of the Council on such items as employees, office running costs, and the purchase of services

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure that 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 long-term asset.

### REVENUE SUPPORT GRANT (RSG)

The general grant paid by Central Government to aid Local Authority spending generally.

### SURPLUS

An outcome as a result of taking away all expenses from income.

### TREASURY MANAGEMENT

A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

### TRUST

Investments are owned by trustees for the underlying beneficial owners.